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American Sugar Refining Company

Conditions...sugar market, January-October, 1917

[New York]

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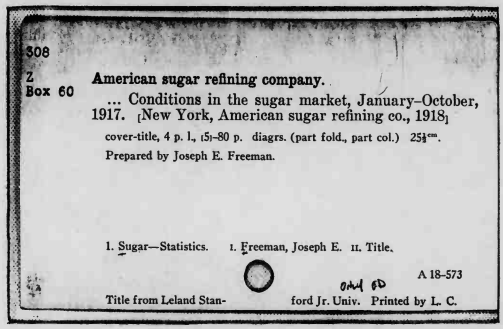
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The American Sugar Refining Company

Conditions in the Sugar Market

January-October

1917

Conditions in the Sugar Market

January-October

1917

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GENERAL OFFICES

117 Wall Street, New York City

The following pages, prepared by Joseph E. Freeman, Esq., Secretary of The American Sugar Refining Company, contain an outline of the factors which have contributed to the present conditions in the sugar market both at home and abroad.

They also contain a brief history of the efforts made by The American Sugar Refining Company to meet the extraordinary conditions which have existed in the domestic market during the present year. In view of the importance of all questions relating to food at the present time and particularly to sugar, one of the great preservatives of food, it is believed that these facts will be of general interest.

A portion of the data presented is taken from a memorandum which accompanied a letter of June 26th, 1917, from the Company to the United States Senate Finance Committee protesting against the recommendation of the Committee that the drawback on sugar be repealed. Certain charts and diagrams are also reprinted from the last Annual Report of the Company.

New York City
October 31, 1917

CONTENTS

PAGE

The World's Sugar Supply
Table of World's Production—Cane and Beet 7
" " Showing Production of Europe 8
" " " Estimated Consumption of Europe and Surplus Available for Export 8
Table of Willett & Gray Showing Sugar Crops of the World 29

Effect of the War
England's Sugar Supply 12
Exports from Cuba 13

Conditions Affecting the Market First Half 1917
Strikes at Eastern Refineries 15
"Sugar Famine" Stories in Newspapers 15
United States Beet Sugar Supply 16
Cuban Insurrection 16

Efforts of The American Sugar Refining Company to Meet the Situation
Advertising Campaign and Public Statements 18
Prices, Deliveries and Sales 19

Increased Consumption in the United States 19

Action of the Senate Finance Committee 21

Government Supervision 24

Summary 28

Chronology of "Sugar Famine" Stories 33

Advertisement in Boston and Other Papers 41

Advertisement in New York City and Other Papers 42

Statement to the Press 45

Proposed Drawback Repeal
Letter of Refiners to Senate Finance Committee, June 6, 1917 49
Letter of Refiners to the Congress of the United States, August 21, 1917 55
Articles from The American Sugar Bulletin 58

Statements in Regard to Plans of the United States Food Administration
Statement of Mr. Babst of September 28, 1917 65
Statements of the United States Food Administration
September 30, 1917 67
October 16, 1917 74

Agreement with Food Administration
Letter from Food Administrator to A. S. R. Co 77

Charts and Maps
Map Showing Location of European Beet Sugar Factories 9
Movement of Sugar from U. S. to Europe 11
Prices of The A. S. R. Co. and its Competitors 16
Increases in Prices of Raw and Refined Sugar 24
Proportion of Annual Sugar Consumption in U. S. Supplied by The A. S. R. Co. and Other Sources 31
Comparison of U. S. Sugar Prices with Foreign Countries 32
Market Quotations—Raw and Refined—1916 47
Market Quotations for Years 1913-1916 48

CONDITIONS IN THE SUGAR MARKET

No understanding of the present situation in the sugar market can be obtained without reference to the conditions prevailing throughout the world and the factors which have affected the world's sugar supply due to the outbreak of the European war. Much of this information is contained in the published report of the President of this Company for the year 1916.

Since January 1, 1917, other factors have had an influence on the sugar market, and particularly the labor troubles in many of the Eastern refineries, the insurrection in Cuba, the shortage in the domestic beet crop, the stories of "sugar shortage" and "sugar famine" which have been published in many of the newspapers of the country, the increased consumption in the United States, the recommendation of the Senate Finance Committee that the drawback on sugar be repealed and the plans of the United States Food Administration for supervision of the sugar industry.

The American Sugar Refining Company believes that in this crisis it has fulfilled its obligations to the consumers of America as well as to our allies and has rendered a national service.

For the purpose of stating the subject clearly the following matters will be discussed:

I—The world's sugar supply

II—The effect of the War

III—Conditions affecting the market the first half of the year

- (*a*) Strikes in Eastern refineries
- (*b*) "Sugar famine" stories
- (*c*) U. S. Beet Sugar Supply
- (*d*) Cuban insurrection

IV—Efforts of The American Sugar Refining Company to meet the situation

(*a*) Advertising campaign advising the public that there were then ample supplies of raw and refined sugar on hand and in transit

(*b*) Public statements of the Company's President as to the supply of sugar and advising against hoarding

(*c*) Selling of its product at from one-half to one cent per pound less than various competitors.

(*d*) Deliveries by the Company, in spite of strikes, car shortage and other difficulties, of its normal supply from January to September

(*e*) Sale of its capacity daily to the trade which it has distributed widely throughout the year among purchasers to prevent speculation and hoarding

V—Increased Consumption in the United States

VI—Action of the Senate Finance Committee in recommending the repeal of the drawback

VII—The passage of the Food Control Bill and the plans of the Food Administration for supervision of the sugar industry.

I

The World's Sugar Supply

With the exception of very small quantities of maple sugar, the world's sugar supply is obtained from two sources, the sugar cane and the sugar beet. Sugar cane is the product of warm climates and is grown almost entirely in the tropics, the principal sources of supply for the United States being Cuba, Porto Rico, Hawaii, the Philippine

Islands, St. Croix, and Louisiana. Beet sugar, on the other hand, is produced in temperate climates, and, with the exception of the production in the United States and Canada is made on the Continent of Europe.

In the pages following there is printed a table taken from the Weekly Statistical Sugar Trade Journal of Willett & Gray, giving the sugar crops of the world. It will be noted that while there has been a serious loss in the European beet sugar production, the cane production of the Western Hemisphere has increased considerably in the last two years, and the increase would have been much larger for 1916-17 had not the crop in Argentine shown a very large decline and the Cuban insurrection cut down that island's production.

The following table gives the world's production during the past five years, showing the proportionate production of beet and cane. The long ton of 2,240 pounds is used in all Tables and unless otherwise stated the figures used are those of Willett & Gray.

Year	*Cane*	*Beet*	*Total*	
1912-13.....	9,232,543	8,976,271	18,208,814	
1913-14.....	9,892,057	8,846,269	18,738,326	
1914-15.....	10,288,656	8,243,451	18,532,107	
1915-16.....	10,675,557	5,875,157	16,550,714	
1916-17.....	11,233,294	5,302,484	16,535,778	(est.)

It will be seen that whereas prior to the war the world's supply was divided almost equally between beet and cane, the beet production has declined since the outbreak of the war approximately 3,500,000 tons, or 37½%. Although the production of cane sugar has increased about 1,300,000 tons, or 12%, the world's total production has decreased over 2,000,000 tons, or 11%. The serious reduction in beet sugar will be best understood from a brief outline of the production and sources of supply of the various countries now at war. The following table shows the production of beet sugar in European countries during the past four years:

	1913-14	*1914-15*	*1915-16*	*(latest estimate) 1916-17*
Germany	2,720,000	2,500,000	1,400,000	1,350,000
Austria-Hungary	1,703,000	1,602,315	1,011,400	900,000
France	805,000	302,961	135,899	181,385
Belgium	229,049	204,697	113,097	133,210
Holland	230,000	302,458	242,753	260,000
Russia	1,687,799	1,992,776	1,467,096	1,158,920
Others	804,165	678,008	707,515	571,892
	8,179,013	7,583,215	5,077,760	4,555,407

(The countries under "others" include Sweden, Italy, Spain, Switzerland, Roumania, Bulgaria and Denmark, some of which are now included among the belligerents.)

While the figures for 1916-17 are estimates the only available reports indicate that Germany and Austria are now producing slightly more than one-half, France about one-fifth and Belgium somewhat more than one-half of their production of four years ago.

The following table shows the estimated consumption in each of the principal belligerent countries and its surplus available for export under normal conditions before the war:

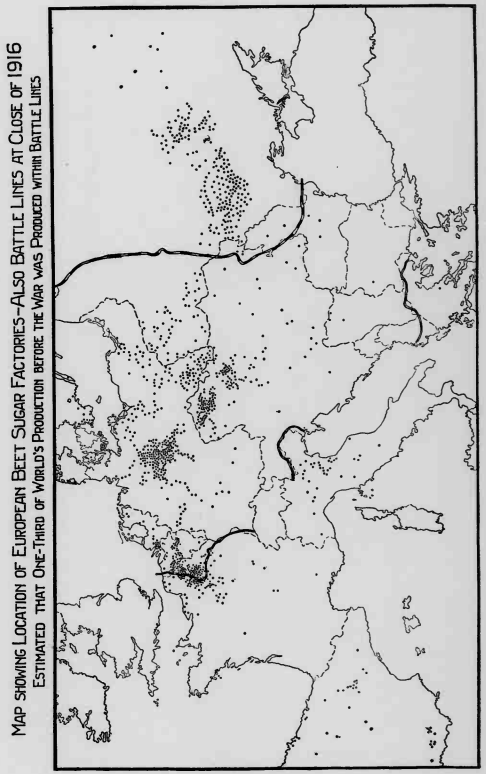
	Consumption	*Surplus Available for Export*
Germany	1,500,000 tons	1,200,000 tons
Austria	675,000 "	1,200,000 "
France	725,000 "	200,000 "
Belgium	105,000 "	150,000 "
Russia	1,400,000 "	200,000 "
	4,405,000 tons	2,950,000 tons

II

The Effect of the War

It is apparent from this last table that the countries named would under normal conditions produce annually nearly 3,000,000 tons —the equivalent of the entire Cuban crop—in excess of their requirements, which would be available for export to foreign markets.

Before the war the largest consumer of this surplus was the United Kingdom, with an annual consumption of 1,900,000 tons. In



MAP SHOWING LOCATION OF EUROPEAN BEET SUGAR FACTORIES—ALSO BATTLE LINES AT CLOSE OF 1916
ESTIMATED THAT ONE-THIRD OF WORLD'S PRODUCTION BEFORE THE WAR WAS PRODUCED WITHIN BATTLE LINES

the last pre-war year England imported over 1,250,000 tons from Germany and Austria, about half of which was refined, as the British refineries do not average more than 800,000 tons out-turn annually.

The United States buys practically no sugar from Europe. Its sources of supply for the years 1915 and 1916 are shown by the following recapitulation, giving the figures in long tons.

	1915	*1916*
Cuba	1,841,602	1,666,548
Hawaii	509,263	533,969
Porto Rico	300,310	392,733
Louisiana, Texas and Arizona	224,768	224,978
Philippine Islands	120,202	111,182
United States Beet	769,257	700,256
Various Sugars, Including Foreign Refined, U. S. Maple, etc.	36,129	28,941
Total Consumption in United States	3,801,531	3,658,607

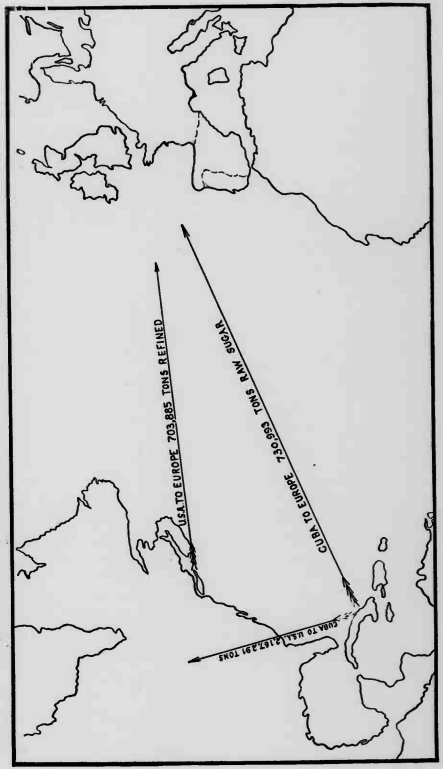
From this it will be seen that Cuba supplied about one-half of the sugar for this country.

The immediate effect of the declaration of war was to cut off from the world's market the sugar supply of the Central Powers. More than one-third of the world's total production formerly came from within the present battle lines of Europe, and the Western battle line now passes through the sugar producing territory of France and Belgium.

The most serious effect of this interruption to the supply was first felt in England. The British Isles produce practically no sugar. More than two-thirds of their supply came from Germany and Austria and ceased on declaration of the war and any possible supplies from Russia, France and Belgium were unavailable.

With her customary sources of supply withdrawn, England was confronted with a serious condition and was forced to turn to other markets for her supply. Raw sugar was secured in any country having it to offer. Refined sugar was purchased in large quantities from the United States. In order to meet this extraordinary condition, the British Government in September, 1914, created the Royal Commission on Sugar Supply, in whose hands has since been placed

CHART SHOWING MOVEMENT OF SUGAR FROM THE UNITED STATES TO EUROPE AND FROM CUBA TO THE UNITED STATES AND EUROPE—1916



the entire purchase of sugar for Great Britain, France and Italy.

The following table from the "International Sugar Journal" shows in long tons the quantities of sugar imported into the United Kingdom from the principal cane sugar producing countries for several years prior to the war and since its commencement:

Country	*1911*	*1912*	*1913*	*1914*	*1915*	*1916*
Cuba	3,848	86,643	224,227	261,867	359,746	553,565
Java	166,866	182,544	99	405,216	398,713	383,743
Philippines	3,645	4,487	.....	2,720	6,038	68,198
Peru	27,176	62,194	27,487	46,543	31,440	50,602
Mauritius	55,548	28,865	20,075	69,620	191,785	108.798
U. S. A. (Refined)	.....	.....	.....	107,039	188,746	267,681
Total	257,083	364,733	271,888	893,005	1,176,468	1,432,587

It will be seen that in five years previous to January 1, 1917, the imports into Great Britain from Cuba increased approximately 550,000 tons. From other statistics it appears that last year Cuba exported to Europe 730,000 tons, or approximately one-fourth of her entire crop. As appears in the chart showing the movement of sugar from the United States to Europe, the United States last year exported to Europe 703,880 tons of refined sugar. So far this year Cuba has exported to Europe close to 925,000 tons of raw sugar, or approximately 200,000 tons more than during all of 1916. Canada in the same period has exported 75,000 tons of refined, or three times as much as she exported during all of last year. On the other hand the exports of refined from the United States have very substantially decreased. This country has exported since January 1st 367,792 tons, or 300,000 tons less than for a similar period last year.

The effect of the European war in increasing the demand for Cuban raw sugars is shown by the following table of exports from Cuba to various countries of the world. While the exports to the United States have increased but slightly, those to Europe have increased nearly three-fold during the past four years.

To	*1912-13*	*1913-14*	*1914-15*	*1915-16*
U. S. Atlantic Ports	1.722,447	1,808,206	1,864,502	1,868,773
New Orleans	278,502	301,414	205,712	258,305
Galveston	24,830	31,497	32,474	40,213
Canada	30,457	5,986	4,733	.....
Vancouver, B. C.	27,954	5,457	13,000	.....
Japan	.....	19,316	.....	.....
United Kingdom and Cont. Europe	259,195	304,565	375,879	730,993
South America	28	.....	.....	4,057
Mexico	.....	.....	.....	143
Total	2,343,413	2,476,441	2.496,300	2,902,484

In the first of the four years tabulated eleven per cent. of Cuba's exports went to the United Kingdom and the Continent and eighty-five per cent. to the United States, but by 1916 the situation had so changed that in that year twenty-six per cent. of the Island's exports of sugar went to the United Kingdom and the Continent and only seventy per cent. came to the United States. Of the 2,127,078 tons sent to Atlantic ports and New Orleans in 1916, over 700,000 tons were refined and exported to England and other foreign countries.

Another result of the war, which has had a very marked effect on the available sugar supply, has been the noticeable reduction in the exports from Java to the United States. Previous to the war this country obtained large quantities of raw sugar from the Dutch East Indies and in certain pre-war years had imported as much as 400,000 tons from that source. The United States has imported practically no raw sugar from there since August, 1914. While the Java crop has shown a substantial increase this year, it has not been available for us.

In addition to the facts which have been noted, affecting the available supply, the sugar industry since the declaration of war has had to meet, in common with other lines of business, increasing costs of all kinds. The prices paid for labor, supplies and materials of every character have increased tremendously. Jute bags, which are very generally used as containers for raw sugar, have been especially

difficult to procure, and at steadily advancing prices. Also, as pointed out in the last annual report of the Company, three-fourths of the sugar supply in the United States is transported in ships, and the great increase in the cost of tonnage has necessarily been reflected in a higher cost of our raw supply.

III

Conditions Affecting The Market First Half 1917

The foregoing statement, together with the Annual Report of the Company for 1916, will give full information in regard to the conditions in the world's sugar markets from the outbreak of the war to the end of last year.

Since the first of the current year other matters of great importance have affected the sugar market. In the attempt to set them forth in their proper relation, these matters will be discussed in two periods, the first from January to June, when the action of the Senate Finance Committee in suggesting the repeal of the drawback upset the World's markets, and the second from June to October, bringing the statement down to the time when the United States Food Administration entered into voluntary agreements with American refiners for the importation of raw sugar and the refining of the same on a fixed maximum margin.

The immediate effect of all matters discussed is reflected in the current market prices for both raw and refined sugars and accordingly a chart is submitted showing the price since January 1, 1917, for refined sugar of the American Sugar Refining Company and other domestic refiners, the price for beet granulated and that for imported raw sugar.

The four important matters affecting the price of sugar from January to June were

(*a*) Strikes at Eastern Refineries
(*b*) Sugar Famine Stories in Newspapers
(*c*) United States Beet Sugar Supply
(*d*) Cuban Insurrection.

Strikes at Eastern Refineries

During the months of January and February there were severe strikes in a number of the largest refineries in the East. The strikes in the three units of this corporation which were affected occurred on the following dates

Brooklyn Refinery—January 23, 1917
Philadelphia Refinery—February 1, 1917
Jersey City Refinery—February 15, 1917

Similar conditions developed in the refineries of other companies, involving the McCahan and Pennsylvania Refineries in Philadelphia, the National Refinery, Long Island City, and the Arbuckle Refinery in Brooklyn. These strikes lasted during practically the whole of the months of February and March.

They made the problem of the refiners a difficult one, but The American Sugar Refining Company was able to deliver daily during this period a supply equal to its normal output. The principal effect upon the market came from the rumors appearing in the newspapers as to the interruption of the supply by reason of these strikes and the Cuban insurrection which created an unusual demand for sugar on the part of the public.

Sugar Famine Stories in Newspapers

The strikes in the refineries at first attracted very little notice in the newspapers, excepting "Solidarity," the news organ of the I. W. W., which was urging the support of its members to tie up the refining industry. On February 8th however, the "Philadelphia Ledger" carried a sensational story with a double column headline "Sugar Famine Grips City as a Strike Sequel". This was followed by similar stories in various newspapers predicting a "sugar famine" or "sugar shortage" in the United States. These reports were spread at the time of the so-called food riots in New York City, and when the public mind was extremely nervous over the food situation.

Submitted herewith is a Chronology of "Sugar Famine" Stories, appearing in various newspapers of the country, together with a list of newspapers in which such stories appeared.

The demand for sugar increased enormously as the public began to buy sugar in large quantities, fearing a famine. In some communities the stocks on hand were rapidly exhausted and the prices of retailers increased, despite the efforts of this Company to keep the supply well distributed and to allay the public mind.

United States Beet Sugar Supply

The beet sugar crop in the United States for 1916-1917 amounted to 734,577 tons, about 45,000 tons less than the crop for 1915-1916, which amounted to 779,756 tons. The most severe reduction in the crop occurred in Michigan and Ohio. The Michigan crop alone fell off in 1916-1917 from the previous year approximately 53,000 tons and Ohio about 13,000 tons, representing nearly 50% of the production in these two states. This crop is usually marketed in the Middle West.

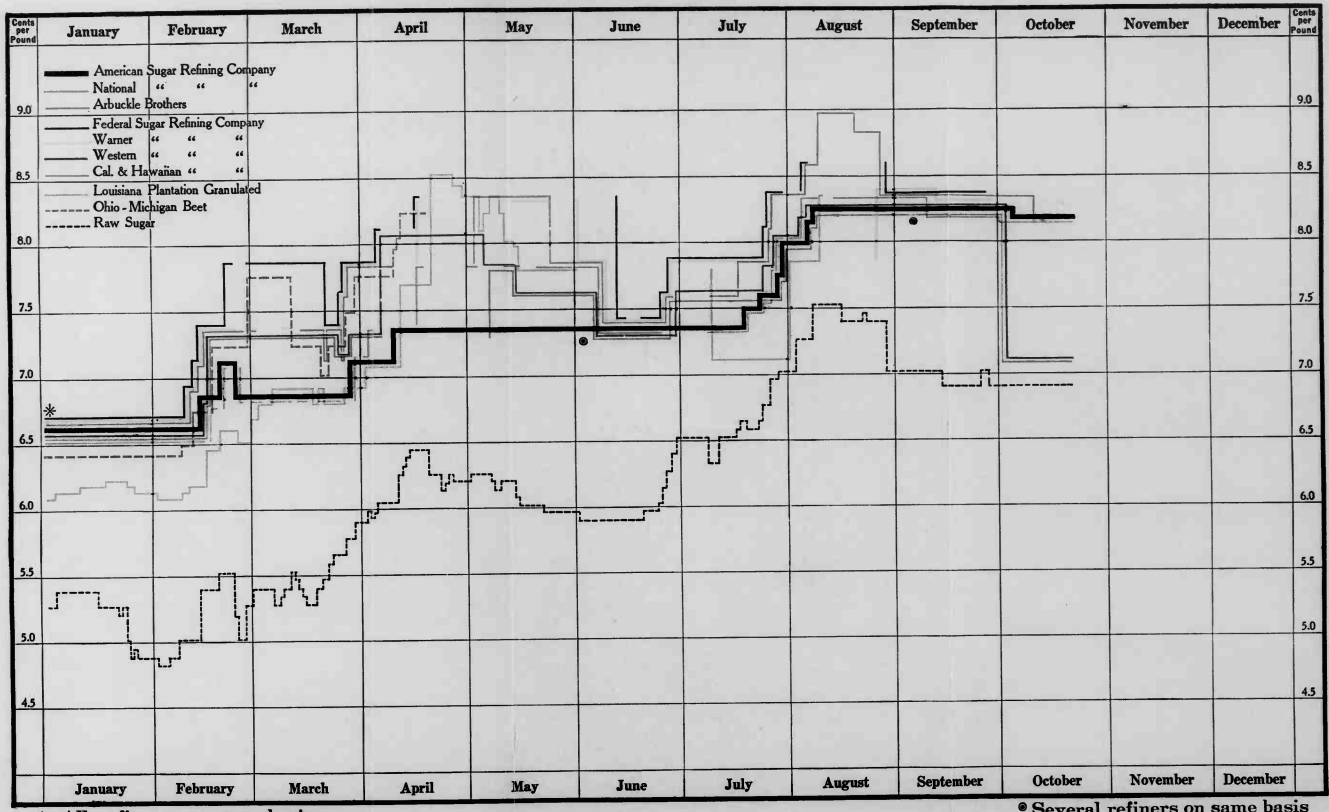
The decrease in the beet crop, coupled as it was with difficulty on the part of the beet companies in obtaining necessary cars to move their product east of the Rocky Mountain territory, added to the acuteness of the situation.

Cuban Insurrection

On February 13, the first serious reports were received in New York of an uprising in Cuba by the Liberal Party on the eve of new elections which had been ordered in the Provinces of Santa Clara, Oriente and Camaguey. These reports were quickly followed by alarming rumors. It was stated that Camaguey City and Santiago City had been captured by the rebels and the Provinces of Santa Clara, Camaguey and Oriente were under control of rebel leaders.

For a period of approximately two months rumors of extensive destruction of cane by fire in the island were circulated, although subsequent reports indicated that many of the earlier statements had been exaggerated. Owing to interruption of communication, reliable information about the revolution was difficult to obtain. It is certain, however, that conditions in the Eastern end of the island continued very unsettled for some time and there was considerable loss of property,

Chart showing Domestic Net Cash Price of The American Sugar Refining Company and Various Competitors and Price for Raw Sugar since January 1, 1917



✳ All refiners on same basis

● Several refiners on same basis

notably the destruction of the Cuba railroad east of Zaza, including tracks, bridges and railroad equipment. The most serious trouble, however, arose by reason of the difficulties experienced in bringing cane to the factories. All this had an immediate effect on the sugar market. In the Province of Camaguey alone the crop was reduced by 150,000 tons by reason of the revolution.

Beginning with the latter part of March, the situation gradually improved, and many centrales which had been temporarily forced to suspend operations, resumed grinding. The estimated production of the Island of Cuba for the 1916-17 campaign was first placed at 3,400,000 tons while the actual production was only a little over 3,000,000 tons. This decrease in Cuba's anticipated sugar supply, together with the interruption in the Cuban railroad service, had a marked effect on the sugar market, notwithstanding the fact that the output of Cuba for the season 1916-17 is practically the same as for the preceding one.

IV

Efforts of The American Sugar Refining Company to Meet the Situation

The attempt has been made in the foregoing recital to set forth the situation in the world's sugar market since the outbreak of the war, and the unprecedented difficulties confronting the American refiners from January to June of the current year.

On December 29, 1916, The American Sugar Refining Company, through the Bulletin distributed by it, advised the trade,

> "The hand to mouth buying on the part of the domestic trade may result in there being a serious scarcity of sugar and an over-demand at a time when sugar seems to be most needed, and it would seem to be the part of wisdom for the domestic buyers to keep a fair line of sugar in stock to meet their requirements."

This suggestion was repeated in subsequent issues of the Bulletin which went to the trade throughout the country.

In view of subsequent developments this advice was important. Unfortunately, however, the trade generally continued to carry light stocks, although from January 1 to February 13 the price of this Company was 6.75 less 2% for cash f. o. b. refinery.

As a result of the strikes, the sugar "famine" and "shortage" stories, the Cuban insurrection and other causes, there was an abnormal demand on the part of the buying public for the immediate delivery to it of refined sugar. Realizing that the situation was an unprecedented and serious one, the Company used its best efforts to allay the fears of the public in regard to the supply of sugar.

Beginning on February 21, 1917, the Company undertook an advertising campaign in the newspapers advising the public that there were supplies of raw and refined sugar on hand at that time and in transit sufficient to supply the needs of the country. In fifty-eight of the leading newspapers in the larger cities of the United States the Company inserted advertisements stating that there was no sugar shortage and advising against hoarding.

The President of the Company also made several public statements which went to the Associated Press, other Press Associations and to the leading dailies of the country to the effect that there was no reason for the housewife to hoard sugar as there were then ample available supplies. Copies of these advertisements and statements are submitted.

The price chart also submitted shows that for a large portion of this period the Company has sold its product at a net cash price of one-half to one cent a pound less than several of its competitors.

Further, and notwithstanding the difficulties of the situation, the Company has since the first of the year delivered as much sugar as it did last year in a corresponding period. The demand on the part of the buying public has been abnormal, but this Company has tried to prevent any hoarding or speculating by regularly selling its daily capacity and distributing it widely among buyers. Its large capacity for package sugars has been an effective means to this end. At times competitors of this Company withdrew entirely from the market, refusing to take any more orders for sugar. This Company

at no time refused to accept business but always from day to day took orders for the daily capacity of its plants, limiting the amounts sold in accordance with the real requirements of the buyers.

The efforts of the Company to allay public alarm, check hoarding, to accept a price less than that which it could easily secure and to distribute its product fairly and evenly among the trade, have met with much commendation in the Press, and from the trade and the public.

In addition to the difficulties confronting the Company the first half of the year, on June 13 a serious fire occurred at the refinery of the Company in Brooklyn, destroying its principal warehouse and packing plant. For six days operations at this refinery practically ceased, but by prompt measures, the plant was rebuilt in the record-breaking time of nine weeks and in operation with increased facilities.

V

Increased Consumption in the United States

While during the current year there has been no substantial increase in the world's total production, this country has already used nearly 400,000 tons more sugar than during a corresponding period last year. In 1916 the people of the United States consumed on the average 10,000 tons a day, while this year the consumption has been at the rate of 11,000 tons. Expressed in terms of per capita consumption, for the first ten months of 1916 we used, according to the figures of Willett & Gray, 68 pounds, while this year the unit for the same period is 76 pounds.

Sugar is the great conserver of fruit. Heated fruits become acid, and to preserve the flavor, color and appearance, sugar or syrup is essential. The Food Administration and the Department of Agriculture, in conformity with the advice of President Wilson to "secure the conservation of surpluses of perishable food products", urged the necessity for preserving all fruits and berries and the canning of vegetables, and undertook an educational campaign for the conserving of our surplus stock through home and industrial canning and preserv-

ing. Newspapers, periodicals and publications widely read by the women of the country aided greatly in promoting the efforts of the Government. In full accord with the aims of the Government as presented by the Food Administration and the Department of Agriculture, this Company has done everything in its power to secure the support of the housewives for this movement. In the summer of 1916 this Company had instituted a "Save the Fruit Crop" advertising campaign. Since our entrance into the war, and to assist in making effective the plans of the Government, this Company has carried on a very extensive advertising campaign of a similar character.

Undoubtedly all this has tended toward an increase in the consumption of sugar. On the other hand, it has been of tremendous value in "Saving the Fruit Crop", and in making available for winter use large quantities of all kinds of fruits, berries and grapes, and canned vegetables. While this is one of the factors which will necessitate economy for the balance of the year, the sugar which has been so used has served a splendid purpose in enabling us to consume later on, and at a time when they will be sorely needed, fruits and vegetables which would otherwise have been wasted. It will put us in a position to use substitutes for butter, fats and other foods which, in turn, must with the progress of the war become less plentiful

President Wilson in his appeal to the women of the country said,

> "Every bushel of potatoes properly stored, every pound of vegetables properly put by for future use, every jar of fruit preserved, adds that much to our insurance of victory, adds that much to hasten the end of this conflict.
>
> We can all aid by increasing our consumption of perishable products. Such of them as we can efficiently utilize we must utilize, and, by so doing, relieve the strain on our store of staples."

The increased consumption of sugar has not been a waste, but has been a real factor in combatting the national tendency to squander the country's resources. It has enabled the American housewife to add to the store of the nation's foods at a time when fruits and vegetables were cheap, and to save them from spoiling to be later consumed when similar foods must of necessity be more expensive. The present supply of canned foods, preserves, jams and jellies is much greater than at any previous time in the history of the country; and it has only been obtained by the additional use of the great preservative of foods—sugar.

VI

Action of the Senate Finance Committee in Recommending the Repeal of the Drawback

On June 1st of this year and without previous notice to the sugar industry, a majority of the Senate Finance Committee voted to incorporate in the War Revenue Bill a provision for the repeal on sugar alone of the drawback privilege. The Committee also advocated an excise tax of ½ cent a pound on sugar for export as well as for domestic consumption. These recommendations if enacted into law would have meant an increase in the export price of refined sugar of over 1½ cents per pound.

The American Sugar Refining Company and other domestic refiners promptly represented to the Committee the serious effect upon the industry were the Committee's recommendation to be concurred in by Congress. Notwithstanding their protest, however, a majority of the Committee voted not to rescind their action, and foreign countries having notice of a prospective increase in price of refined sugar for export from this country of over 1½ cents per pound, sought to anticipate their requirements. The competition for Cuban raws became active and Cuban prices increased the entire 1½ cents differential represented by the recommendations of the Senate Finance Committee.

Subsequently on August 21, another letter of protest was sent to the Senate Finance Committee by this Company and eleven other refiners, pointing out the serious effect of its proposed action, and stating that "the threatened action of cutting off the United States refined from export has caused such heavy and persistent buying of raws in Cuba and foreign countries as to create temporarily a new and troublesome situation for the United States". In addition this

Company from time to time in its Trade Bulletin, called the attention of the trade to the action of the Senate Committee.

Annexed hereto and printed in full are the letters and statements referred to. They consist of

(*a*) Letter of June 6, 1917, from The American Sugar Refining Company and five other American refiners to the Senate Finance Committee

(*b*) Letter of August 21, 1917, to the Senate Finance Committee from the Company and eleven other refiners, comprising nearly the entire United States refining industry

(*c*) Extracts from American Sugar Bulletin pointing out the effect of the Senate action upon the sugar market in its issues of June 29, July 13 and 27, September 7, 21, 28 and October 12, 1917.

In a public statement issued on September 30, 1917, and reprinted hereafter, the United States Food Administration gave the following summary of the effect of the action of the Senate Finance Committee:

> "Foreign buyers, who up to that time had been making their purchases through American refineries, decided that as the Bills were introduced as War Measures, and would therefore be enacted into law promptly, that it would be to their advantage to buy Cuban sugars direct at any price from the then Cuban market, not exceeding an advance of 1½c., which was the extent to which sugar would have been affected if the Bills had passed.
>
> "This started a violent speculation in Cuban sugars with the result that the price advanced from 5.77 in the last week in June to 7.77 the first week in August. While there was very little sugar left in Cuba it meant that if such a condition was permitted to continue the cost to the American public would be something in excess of $30,000,000 between then and the beginning of the new Cuban crop in December."

On September 10th, three months after a majority of the Senate Finance Committee had recommended the repeal of the drawback privilege, the Senate by an overwhelming vote of 69 to 11 rejected the Committee's plan. In the meantime, however, heavy buying by European countries having notice of the Finance Committee's action

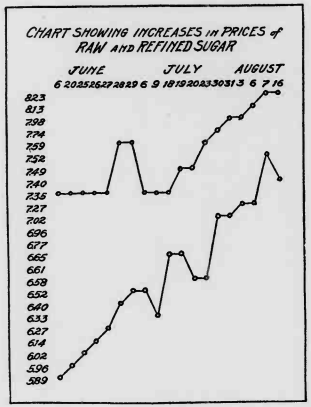
diverted from United States consumption raw sugars which would have otherwise been used to supply the American refiners. Prices for refined sugar, always based upon the price of imported raw sugar, naturally followed in spite of the efforts of this Company and other refiners to stabilize conditions even to the extent of maintaining domestic prices for refined sugar far below the market.

At the time the action of the Senate Finance Committee was taken the War Revenue Bill was pending in the Senate which, as passed by the House of Representatives, provided for the imposition of a ten per cent *ad valorem* duty on imported raw sugar. This provision was in the House Bill as reported by the Ways and Means Committee on May 9th, and while later the Senate Finance Committee struck this provision from the bill, it inserted a section providing for an excise tax of one-half cent a pound on refined sugar. Accordingly, buyers of sugar, both domestic and foreign, from May 9th to September 10th, were under notice that pending legislation might impose either an additional import duty or an excise tax upon sugar. The belief that it was important to secure supplies before this legislation became effective undoubtedly increased the demand at that time, and the action of the Senate Finance Committee in regard to the drawback only added to the difficulties of the market situation.

As noted above, the action of the Senate Finance Committee was taken on June 1, 1917. The following table shows that from June 1 to September 30, 1917, the exports of Cuban raw sugar to Europe exceeded the exports for a similar period of the previous year by 190,158 tons, thus clearly demonstrating the manner in which our source of supply was then invaded by foreign buyers:

	1916	*1917*
June	115,876	75,927
July	39,177	129,989
August	73,263	187,444
September	17,779	42,893
	246,095	436,253

The following diagram shows the course of prices for raw and refined sugars following the action of the Senate Finance Committee:



VII

The Passage of The Food Control Bill and Plans of The Food Administration for Supervision of The Sugar Industry

On June 11th of this year the Food Control Bill was introduced in Congress and subsequently on August 10 Congress passed the bill as amended and the President appointed Mr. Herbert Hoover Food Administrator. While the bill does not give the Food Administrator the power to fix prices for sugar, it does authorize the President to license the importation, manufacture, or distribution of any necessaries, in which sugar is included, and further provides that the President may find what is a just and reasonable profit. It also provides "that in carrying out the purposes of this Act the President is authorized to enter into any voluntary arrangements or agreements or to create and use any agency or agencies".

Acting under the powers conferred, and shortly after his appointment, Mr. Hoover selected Mr. George M. Rolph as the Head of the Sugar Division of the United States Food Administration. In an effort to stabilize conditions and by co-operative buying to maintain "a proper balance between the rights of producers and consumers", the Food Administration, in co-operation with the British Royal Commission on the Sugar Supply has appointed an International Sugar Committee of five members to arrange for the purchase and distribution of available raw sugar to this country and its Allies.

The American members of this Committee are Mr. George M. Rolph, the Head of the Sugar Division of the United States Food Administration; Mr. Earl D. Babst, the President of this Company, and Mr. William A. Jamison, of Arbuckle Brothers, and to them are to be referred all questions of a purely domestic nature. The members of the Committee appointed on behalf of the Allied Governments are Sir Joseph White-Todd and Mr. J. Ramsay Drake, both of London, England. The Food Administration has also appointed an American Refiners Committee of five refiners and seven alternates to fix the basis of proportionate distribution of raw sugar provided by the International Sugar Committee. It has also promulgated rules and regulations requiring the licensing of all persons engaged in the importation or manufacture of sugar, pursuant to which this Company has been duly licensed to import, manufacture and refine sugar, syrups and molasses.

The purposes of the Food Administrator and the various steps undertaken for the supervision of the sugar industry were fully outlined in a public statement issued by him on September 30, 1917, which is printed on pages 67 to 73.

From the first The American Sugar Refining Company has met the demands of the Government, and as a matter of fact on April 26, 1917, long previous to the passage of the Food Control Bill, President Babst in a public statement, which is reprinted on pages 45 and 46, indorsed the Hoover "plan by which the Allies can consolidate under one head the whole purchasing of food staples."

For the purpose of carrying into effect the purposes of the Food Administration and following a month's negotiations between the

Company and Mr. Hoover and Mr. Rolph, the United States Food Administration wrote a letter to this Company requesting the Company to enter into a voluntary agreement with it for the purchase of imported raw sugar through the International Sugar Committee and the sale of refined at a maximum refining margin of 1.30c. net per pound for Fine Granulated Sugar in barrels f. o. b. refinery. (See letter of October 6, 1917, printed on pages 77 and 78.) The legality of the agreement had been approved by the Attorney-General of the United States, and at a meeting of the Board of Directors held on October 9, 1917, the President of this Company was duly authorized to execute it. The voluntary execution of this agreement at the urgent request of the Food Administrator and the efforts of the Company to make effective the plans and aims of the United States Food Administration attest to the sincere purpose of the Company to meet the request of the Government in the present emergency.

All other American refiners were also requested by the Food Administrator to execute similar voluntary agreements with him and one and all met his wishes in the matter.

Previously and in August, as is recited in the statement of the Food Administration referred to, "representatives of 85% of the domestic beet sugar industry met with the Food Administration in Washington and pledged the interests which they represented to maintain a price for their product of not to exceed 7.25 cane basis seaboard refining points from the beginning of the crop starting in October until same had been distributed." The price for domestic beet sugar then agreed upon and later accepted by the entire domestic beet industry, is not one, however, that the Company can meet on the present price of raw cane sugar, or on any basis prevailing since last June.

It should also be borne in mind that the Company has been under notice of Governmental supervision since the Food Control Bill was first introduced in Congress and has been compelled to shape its policy with such supervision in prospect. As early as July 27th this Company in its Trade Bulletin reviewed the situation confronting the industry and made this very pertinent statement:

> "It should be recorded that the United States refiners are and have been under notice of Government control. The position of the United States refiners, therefore, so far as the risk of inventory is concerned, has been weakened by such notice and made uncertain. Under these circumstances the refiners have been largely relieved of the responsibility of safeguarding the United States supply.
>
> Of course there is plenty of sugar in Java, and naturally it will remain there as a reserve supply as long as tonnage is not provided to move it. Equally naturally the Royal Commission, upon being threatened with exclusion from the American market, has filled its needs in the much nearer and more convenient markets of Cuba and Canada."

In the meantime the heavy buying by the Allies and foreign countries—following the action of the Senate Finance Committee—had so depleted the stocks of raw sugar that supplies could not be obtained in sufficient quantities by American refiners to continue their meltings. As a result the following refineries were compelled to close down:

Franklin, Philadelphia (Front Street Refinery)	September	15, 1917
Arbuckle, Brooklyn	"	19, 1917
Colonial, Gramercy, Louisiana	October	4, 1917
Henderson, New Orleans	"	5, 1917
Franklin, Philadelphia (Reed Street Refinery)	"	6, 1917
Federal, Yonkers	"	8, 1917
American, Brooklyn	"	9, 1917
Imperial, Sugarland, Texas	"	13, 1917
Warner, Edgewater, New Jersey	"	18, 1917
American, Chalmette, Louisiana	"	18, 1917
National, Yonkers	"	19, 1917
Savannah, Savannah	"	20, 1917
American, Boston	"	24, 1917

With full knowledge of the effect of the Senate Finance Committee's action upon the domestic industry, this Company and the entire industry used every legitimate means to bring about its early reversal, but the three months' delay, in conjunction with the other contributing elements, put the situation beyond power of correction. By September supplies of raw sugar which might otherwise have been bought had become no longer available, and refiners were unable to continue their meltings.

SUMMARY

The foregoing review of conditions in the sugar market from January 1st to October 31st of the current year is an attempt to state the many factors which have affected the sugar industry in the United States.

In an effort to summarize the net result of the conditions which have been described, the following table has been compiled from statistics given in the Weekly Statistical Sugar Trade Journal of Willett & Gray:

	First 10 months 1917	*First 10 months 1916*	*Increase in 1917*	*Decrease in 1917*
Meltings of imported sugar at all Ports (Atlantic, Gulf and Pacific).....	3,158,591	3,177,796	.....	19,205
Louisiana Sugar consumed	124,611	74,535	50,076	.....
*U. S. Beet consumed.....	470,715	410,536	60,179	.....
Total	3,753,917	3,662,867	91,050	.....
Less exports from all Ports	367,792	668,521	.....	300,729
Consumption	3,386,125	2,994,346	391,779	.....

*Figures for six months only available.

It will be seen that the consumption of the United States for the first ten months of this year has been running at an average rate of 338,000 tons a month. By reason of the disappearance of the invisible domestic refined supply and the absence of stocks of raw sugars in sources usually available to this country and particularly in Cuba—due to the heavier shipments from the latter source to Europe—it is apparent, as there has been no increase in the World's production, that there is not sufficient sugar to meet our domestic requirements. Accordingly it is evident at this writing (October 31, 1917) that for the balance of the year we are short nearly six weeks' supply as compared with a year ago. This has resulted in a condition which, pending the arrival of the Cuban crop, now grinding, can only be met by the prompt and wide distribution of the new crop of domestic beet sugar and the Louisiana crop of cane sugar, together with any Hawaiian or Philippine sugars that may come upon the market. The shortage will be acutely felt in the New England and Atlantic Coast states due to their geographical position.

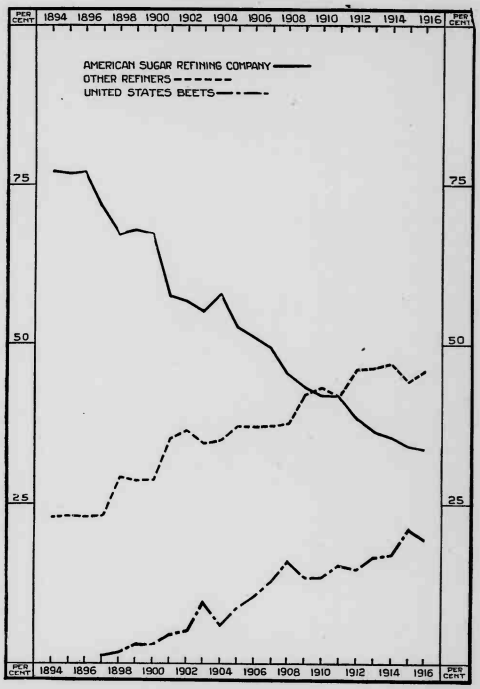
SUGAR CROPS OF THE WORLD

The following are the figures giving the sugar crops of the world as appearing in the "Weekly Statistical Sugar Trade Journal" of Willett and Gray on October 25, 1917, and referred to as their "latest estimate". For several countries the exports only are given as the amount consumed locally cannot be definitely stated.

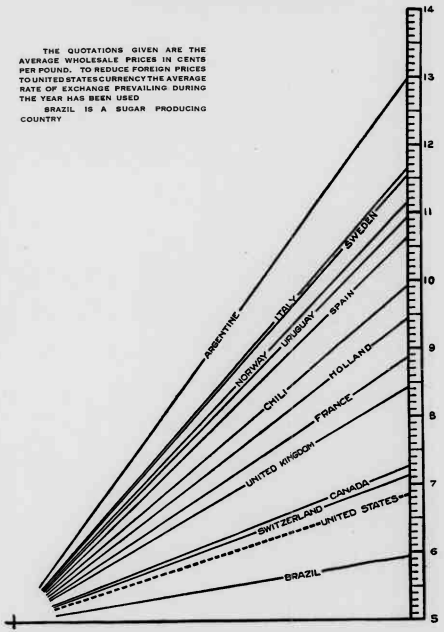
	Harvesting Period.	1917-18. Tons.	1916-17. Tons.	1915-16. Tons.
United States—Louisiana	Oct.-Jan.	275,000	271,339	122,768
Texas	Oct.-Jan.	2,000	6,250	1,000
Porto Rico	Jan.-June	475,000	448,567	431,335
Hawaiian Islands	Nov.-July	525,000	579,302	529,895
West Indies—St. Croix	Jan.-June	15,000	12,000	14,750
San Domingo	Jan.-June	145,000	130,171	126,058
Cuba	Dec.-June	3,200,000	3,000,000	3,007,915
British West Indies—Trinidad	Jan.-June	70,000	70,891	64,231
Barbadoes, *exports*	Jan.-June	55,000	55,000	65,000
Jamaica, *exports*	Jan.-June	30,000	28,000	15,143
Other British West Indies	Jan.-June	35,000	30,000	35,371
French West Indies—				
Martinique, *exports*	Jan.-July	40,000	40,000	39,925
Guadeloupe	Jan.-July	40,000	40,000	34,111
Mexico	Dec.-June	35,000	50,000	65,000
Central America	Jan.-June	25,000	25,000	35,000
South America—				
Demerara, *exports*	Oct.-Dec. & May-June	120,000	120,000	116,224
Surinam	Oct.-Jan.	15,000	15,000	13,000
Venezuela	Oct.-Dec.	15,000	15,000	7,000
Ecuador	Oct.-Feb.	8,000	8,000	7,567
Peru	Oct.-Feb.	265,000	250,000	250,000
Argentine	June-Nov.	150,000	84,069	149,299
Brazil	Oct.-Feb.	375,000	300,000	194,000
Total cane in America		5,915,000	5,578,589	5,324,592

	Harvesting Period.	1917-18. Tons.	1916-17. Tons.	1915-16. Tons.
British India—(consumed locally)	Dec.-May	2,750,000	2,626,000	2,634,000
Java	May-Nov.	1,800,000	1,596,174	1,198,567
Formosa and Japan	Nov.-June	450,000	436,026	405,227
Philippine Islands, *exports*	Nov.-June	250,000	170,000	332,158
Total cane in Asia		5,250,000	4,828,200	4,569,952
Australia	June-Nov.	265,000	195,000	159,681
Fiji Islands, *exports*	June-Nov.	100,000	100,000	90,000
Total cane in Australia and Polynesia		365,000	295,000	249,681
Egypt—(consumed locally)	Jan.-June	100,000	101,832	98,964
Mauritius	Aug.-Jan.	224,000	209,169	215,528
Reunion, *exports*	Aug.-Jan.	45,000	45,000	45,000
Natal	May-Oct.	115,000	114,504	115,481
Mozambique	May-Oct.	50,000	55,000	50,000
Total in Africa		534,000	525,505	524,973
Europe—Spain	Dec.-June	6,000	6,000	6,359
Total cane sugar crops		12,070,000	11,233,294	10.675,557
Europe—Beet sugar crops	Sep.-Jan.	3,849,000	4,555,407	5.077,760
United States—Beet sugar crop	July-Jan.	875,000	734,577	779,756
Canada—Beet sugar crop	Oct.-Dec.	12,500	12,500	17,641
Grand total Cane and Beet sugar	Tons	16,806,500	16,535,778	16,550,714
Estimated increase in the world's production	Tons	270.722	.....	.....

CHART SHOWING PROPORTION OF ANNUAL SUGAR CONSUMPTION IN THE UNITED STATES SUPPLIED BY AMERICAN SUGAR REFINING COMPANY AND OTHER SOURCES (WILLETT AND GRAY)



A Comparison of Prices for Refined Sugar in the United States and Foreign Countries during 1916



CHRONOLOGY

of

SUGAR FAMINE STORIES

CHRONOLOGY OF SUGAR FAMINE STORIES

1917.

January 23 At midnight a portion of the employees at the Brooklyn plant of The American Sugar Refining Company went on strike.

January 31 On the afternoon of this day a portion of the employees at Philadelphia went out.

January 23 to February 7 Very little appeared in the newspapers about the strike and no stories of sugar famine.

February 8 "Philadelphia Evening Ledger", in its last edition, printed a story, with double-column headline, "Sugar Famine Grips City as Strike Sequel".

February 9 Philadelphia papers generally carry "famine" or "sugar shortage" stories. The "Journal" of Wilmington, Delaware, also has a "sugar famine" story.

February 10 to February 12 "Sugar Famine" and "Scarcity of Sugar" stories appear in many Allentown, Harrisburg, Reading, York, Lockhaven, Atlantic City, and other Pennsylvania and New Jersey papers.

February 12 "Solidarity" (the organ of the I. W. W.) of this date contains a telegram from Philadelphia:

> "Sugar refineries tied up by I. W. W."

The New York "Call", under Philadelphia date line of February 11th, has a story with a headline, "Candy Makers Hit by Strike in Sugar Mills". In the body of the article appears:

> "The situation is creating an urgent demand on the part of the general public for a settlement of the strike on the part of the refiners by granting the demands of the workers which are considered fair and just."

February 13 "Solidarity" in its issue of February 17th, contains a telegram from Philadelphia dated February 13th, as follows:

"Sugar Famine Feared. Sugar Strikers Firm. Sugar Shortage Felt. Famine if strike
1917. is not over in two weeks."

February 16 Stories begin to appear in Baltimore and Washington newspapers about alleged sugar famine. Also Washington dispatch to New Orleans "Item" of this date. Washington "Times" has story. "Famine" story appears in the Providence "Bulletin".

February 17 Brief story appears in the "Haverhill Gazette". Also a story in the "Boston American".

A portion of the employees at the Jersey City plant of The American Sugar Refining Company went on strike.

February 18 The New York "Evening Telegram" in a special wire from Boston, had the statement that

"Sugar jumped in several Massachusetts cities 7½¢ to 18¢ a pound".

February 19 Boston and other New England papers have "sugar shortage" stories.

March 2 The New York "Call" under this date has a story with headline, "Sugar Price Soars as Strike Ties up Eastern Refineries".

Sugar Famine articles appearing in the following papers listed below indicate the spread of the rumor, which has persisted more or less nationally ever since:

February 10

Leader	Allentown, Pa.
Chronicle	" "
Opinion	Chambersburg, Pa.
Telegraph	Harrisburg, Pa.
Eagle	Reading, Pa.
Public Ledger	Philadelphia, Pa.

February 12

Times	Reading, Pa.
Herald	" "
Eagle	" "
Despatch	York, Pa.
Republican	Pottsville, Pa.
Democrat	Lockhaven, Pa.
Every Evening	Wilmington, Del.
Sun	Williamsport, Pa.
Press	Atlantic, City, N. J.

February 13

News	West Chester, Pa.
Daily	York, Pa.
Journal	Wilmington, Del.
Press	Atlantic City, N. J.

February 14

Evening News	Buffalo, N. Y.
Leader	Wilkes-Barre, Pa.
News	West Chester, Pa.

February 16

Republican	Hudson, N. Y.
Daily States	New Orleans, La.
Sun	Baltimore, Md.
Item	New Orleans, La.
Times	Washington, D. C.
Leader	Wilkes-Barre, Pa.
Inquirer	Battle Creek, Mich.
Press	Asbury Park, N. J.
Bulletin	Providence, R. I.
Sun	Bristol, Va.
Republic	Monongahela, Pa.

February 17

Record	Wilkes-Barre, Pa.
Gazette-Times	Pittsburgh, Pa.
Gazette	Haverhill, Mass.
Post	Washington, D. C.
Sun	Baltimore, Md.
American	" "
Republican	Salt Lake City, Utah
Herald	Uniontown, Pa.
Daily	York, Pa.
Union	Rock Island, Ill.

February 18

Virginia Pilot	Norfolk, Va.
Herald	Washington, D. C.
Call	Newark, N. J.
Times	Roanoke, Va.

February 19

Boston American	Boston, Mass.
Courier-Citizen	Lowell, Mass.
Transcript	Winthrop, Mass.
Evening Record	Boston, Mass.
Item	Lynn, Mass.
Evening News	Baltimore, Md.
Globe	Boston Mass.
Times-Despatch	Richmond, Va.
Virginian	" "
Herald	Boston, Mass.
Gazette	Northampton, Mass.
"	Haverhill, Mass.
Republican	Scranton, Pa.
Review	Towanda
Record	Stockton, Calif.
Times	Cumberland, Md.

February 20

Traveler	Boston, Mass.
Telegram	New York City

February 20—Continued

Post	Boston, Mass.
Record	" "
Globe	" "
Evening Star	Lynn, Mass.
Journal	Boston, Mass.
Daily Advertiser	" "
Herald	" "
American	" "
Courier-Citizen	Lowell, Mass.
Standard	New Bedford, Mass.
Times	Erie, Pa.
Express	Buffalo, N. Y.
Tribune	New York City
Republican	Springfield, Mass.
Evening News	Baltimore, Md.
Sun	" "
Times	Erie, Pa.
Plain Dealer	Cleveland, O.
Post	Worcester, Mass.
Mirror	Warren, Pa.
Oklahoma	Oklahoma City, Okla.
Herald	Binghamton, N. Y.

February 21

Post	Boston
Journal	New York City
Plain Dealer	Cleveland, O.
Leader	" "
Union	Springfield, Mass.
Knickerbocker Press	Albany, N. Y.
Courier	Buffalo, N. Y.
Express	" "
Inquirer	" "
Republican	Springfield, Mass.
Post	Boston, Mass.
Call	New York City
Republican	Salt Lake City, Utah
Journal	Gerry, Pa.
Union	Springfield, Mass.
Enterprise	Concord, N. H.
Express	Portland, Me.
Commercial	Buffalo, N. Y.
Inquirer	" "
Evening News	" "
Republican	Binghamton, N. Y.
News Leader	Richmond, Va.
Sun	Pittsburgh, Pa.
News	Canton, O.

February 22
- Virginian.....Richmond, Va.
- Times.....Pawtucket, R. I.
- Journal.....Akron, O.
- Despatch.....Erie, Pa.
- American.....Baltimore, Md.
- Republican.....Springfield, Mass.
- Eagle.....Brooklyn, N. Y.
- Evening Journal.....New York City
- Union.....Springfield, Mass.
- Star.....Washington, D. C.
- Transcript.....North Adams, Mass.
- Inquirer.....Buffalo, N. Y.
- News.....Easthampton, Mass.
- Knickerbocker Journal....Albany, N. Y.
- Ledger .....Philadelphia

February 23
- Journal.....Akron, O.
- Enterprise.....Marlboro, Mass.
- Sentinel.....Parkersburg, W. Va.
- Gazette-Times.....Pittsburgh, Pa.
- Journal.....Jersey City, N. J.
- Knickerbocker Press.....Albany, N. Y.
- Item.....New Orleans, La.
- Tribune.....Chicago, Ill.
- Phœnix.....Brattleboro, Vt.
- Herald.....Huntington, W. Va.
- Post.....Boston, Mass.
- News.....Watertown, N. Y.

February 24
- Standard.....Newburgh, N. Y.
- Press.....Binghamton, N. Y.

February 25
- Herald.....Steubenville, O.
- Press.....Albany, N. Y.

February 26
- Review.....East Liverpool, O.
- Evening World.....New York City
- Press.....Pittsburgh, Pa.

February 27
- Gazette-Times.....Pittsburgh, Pa.
- News.....Duluth, Minn.

February 28
- Journal of Commerce...New York City
- Daily Paper.....Waterbury, Conn.

March 1
- Star.....Marion, O.
- Call.....New York City
- Press.....Pittsburgh, Pa.

March 2
- Herald.....Braddock, Pa.
- News.....Greenville, S. C.
- Call.....New York City
- Inter-Ocean .....Chicago

March 5
- Chronicle Telegram.....Pittsburgh, Pa.

March 7
- Reporter.....Washington, Pa.

March 9
- Herald-Dispatch....Huntington, W. Va.

FEBRUARY AND MARCH ADVERTISEMENTS OF THE AMERICAN SUGAR REFINING COMPANY

and

PUBLIC STATEMENTS OF ITS PRESIDENT ON THE THEN AVAILABLE SUGAR SUPPLY

Advertisement in Boston, Washington and New Orleans Newspapers.

In Advertiser, American, Financial News, Globe, Herald, Journal, News Bureau, Post, Record, Transcript, Traveller, of Boston, February 21st, 1917. In Post, Star and Times, of Washington, February 23rd, 1917. In Times-Picayune, Item and Daily States, March 17th, 1917.

We greatly deprecate the publicity being given to sensational stories as to the refined sugar supply, which are calculated to advance the price of sugar unnecessarily to consumers. There are ample supplies of raw and refined sugar on hand and in transit throughout the Country to take care of normal consumption. We are operating all of our refineries and expect so to continue.

These sensational reports now being put out bear the earmarks of clever publicity work. It would seem as if they were being circulated by Western labor agitators as an aid to their present program of labor agitation at our refineries.

As is well known, this Company has been selling large quantities of sugar at a quarter to a half-cent a pound below existing market prices, and is taking care of its normal trade at all points. Its deliveries to the domestic trade up to this date are greater than for the same period of 1916.

Housewives should pay no attention to the unfounded stories as to the shortage of sugar.

The American Sugar Refining Co.

Earl D. Babst, President

February 20, 1917

Advertisement in 21 New York City and Brooklyn Newspapers of March 1, 1917. Similar Advertisements Appeared in 17 Newspapers in Philadelphia, Jersey City, Trenton, Newark and Other Cities.

IN recognition of the increased cost of living, the American Sugar Refining Company at its Brooklyn Refinery since December, 1915, has not only advanced the wages of its skilled employees, but has also made the following increases in the wages of its unskilled labor:

Date	Wages per Hour
December, 1915	18½c
February, 1916	23c
May, 1916	25c

December 25, 1916, a Christmas gift of $5.00 to each employee.

January 15, 1917, an announcement that on March 15th and May 15th a bonus of 8% would be paid on wages earned during the two preceding months, and that on July 15th and September 15th a bonus of 10% would be paid on the wages earned during the two preceding months.

The above increases aggregate 47.3 per cent.

These wages mean a wage scale as high as that prevailing, class for class, in any other great industry. We believe that the wages paid by us and the working conditions in our refinery are fair to our employees, who if left free from outside agitation would never have left our employment on strike or otherwise.

PENSIONS AND SICK BENEFITS

This Company since 1912 has had in effect a pension system equivalent to 1% of the average annual wage during the ten years preceding retirement, multiplied by the years of service. Under this plan employees are permitted to retire at the age of 65 or on the completion of 30 years' service. No pension is less than $20.00 per month after a service of 25 years.

During the year 1916 in Brooklyn Refinery alone the sum of $31,280.93 was paid in pensions and sick benefits, exclusive of sums paid under Workmen's Compensation Acts.

OUTSIDE AGITATION

The strikes which have occurred at the refineries of this Company at Brooklyn, Jersey City and Philadelphia were not occasioned by dissatisfaction on the part of our employees either with wages or conditions of employment, but were due to the activities of men not in our employ and not citizens of this city or State.

The following quotations from "Solidarity," Cleveland, Ohio, "Official Organ of the Industrial Workers of the World," tell their own story:

SUGAR REFINERIES TIED UP BY I. W. W.

(Telegram to Solidarity)

Philadelphia, Pa., Feb. 5.

"All sugar refineries, including Spreckels, McCanns, Pennsylvania, tied up. Five thousand out. Demands 5 cents per hour increase. Engineers, coopers, sack-sewers also out. All joining One Big Union; thousand already lined up. I. W. W. longshoremen refused to handle cargo. Funds needed immediately. Send same to Nef, 800 Parkway Bldg., Philadelphia, Pa."

SUGAR FAMINE FEARED

(Telegram to Solidarity)

Philadelphia, Feb. 13.

"Sugar strikers firm. Sugar shortage felt. Famine if strike is not over in two weeks. W. T. NEF."

PHILA. SUGAR WORKERS STRIKE

"All the sugar and molasses workers in Philadelphia are on strike. Over 5,000 are out and are standing as one man waiting for the decision of the bosses. The men demand a straight 5-cent an hour increase. At the present appearances of things they are going to get their demands, and if the bosses do not make up their minds quickly there is apt to be some striker who will think of more demands that might be made. . . .

"But, they are demanding but 5 cents an hour and the companies have refused to consider their demands. Enough is said. The strike is on. And, it is on with a vengeance born of hunger and abuse. The police are doing their usual dirty work. Clubbings are frequent and the workers are being arrested in large numbers.

"The workers at the beginning of the strike were almost entirely unorganized. Now, more than 1,500 are members of the One Big Union, and they are continuing to come in in a steady stream. The fact that they are organized has given them a new confidence and the picket line is more effective. No one is scabbing. Too unhealthy. . . .

"The companies involved are the Franklin Sugar Refinery (Spreckels), the McCann Sugar Refinery and the Pennsylvania Sugar Refinery. The molasses plant, better known as the 'Smear Works,' is also closed down.

"Funds are badly needed to carry on the fight. We ask all workers to come to the aid of these workers in their battle against the Sugar Trust. Open your hearts. Better, open up your pocketbooks.

"Send all funds to W. T. Nef, 800 Parkway Bldg., Philadelphia, Pa.

"STRIKE COMMITTEE,
"Per E. T. Dove."

REFINED SUGAR SUPPLIES

Coincidently with the attempt to organize our employees sensational stories have appeared as to the refined sugar supply which are calculated to advance the retail price of sugar unnecessarily to consumers.

These sensational reports bear the earmarks of clever publicity work. It would seem as if they were being circulated by Western labor agitators as an aid to their present program of labor agitation at our refineries.

Consumers will only embarrass each other by stocking up ahead for weeks and months. Do not buy more than your regular needs.

As is well known, we have been selling large quantities of sugar at a quarter to a half-cent a pound below existing wholesale prices, and are taking care of our normal trade. Our deliveries to the domestic trade up to this date are greater than for the same period of 1916. We are operating all of our refineries and expect so to continue.

OUR POSITION AND RESPONSIBILITY

We, and the other sugar refiners, are charged with the responsibility of safeguarding the sugar supply of America, made especially difficult at this time by unprecedented world conditions.

That the price of refined sugar to domestic consumers has remained lower than that prevailing in any foreign country illustrates how well that responsibility is being met.

We do not propose to hand over the control of this industry to any outside organization, no matter of what name nor whence it hails.

With the continued support of the citizens of New York, we propose to continue the operation of our refineries as our first and foremost duty to the public and to our loyal employees.

To this end we shall use all proper and lawful means, be the cost what it may.

THE AMERICAN SUGAR REFINING CO.

EARL D. BABST, President

March 1st, 1917

STATEMENT OF MR. BABST GIVEN TO THE PRESS ON APRIL 26, 1917

Inter-Allied co-operation for handling food, as outlined in cabled interviews with Herbert C. Hoover and Baron Devonport, British Food Controller, is full of promise for American consumers. Mr. Hoover proposed in collaboration with the American Ambassadors in Europe what he describes as "a plan by which the Allies can consolidate under one head the whole purchasing of food staples from our market and not only will competitive bidding be abolished, but by co-operation on our side we can arrange a proper balance between the rights of producers and consumers."

This is real business statesmanship. Its significance is far-reaching. If properly carried out it certainly will tend to ameliorate the rise in prices of foodstuffs in America, without undue interference with the property of producers.

With one-third of the world's sugar production within the present battle lines, England, France and other foreign countries have turned to Cuba and other sources which ordinarily supply the United States. Therefore the sugar industry in America has been on a war basis from the start. Consequently the Hoover proposal is readily understood by us. That sugar prices have remained lower here than in foreign countries is admittedly due to our large business units. An even better record might have been made had there been legal power for co-operation.

There has been special illustration in the sugar industry of what Baron Devonport so sharply points out when he says "that the competitive bidding between the Allies and between the different Departments of the Allied Governments has been to a considerable degree responsible for the high prices of food to American consumers". The United States refiners have been bidding not only against each other but against the Allied Governmental Commissions, aided by their government controlled shipping.

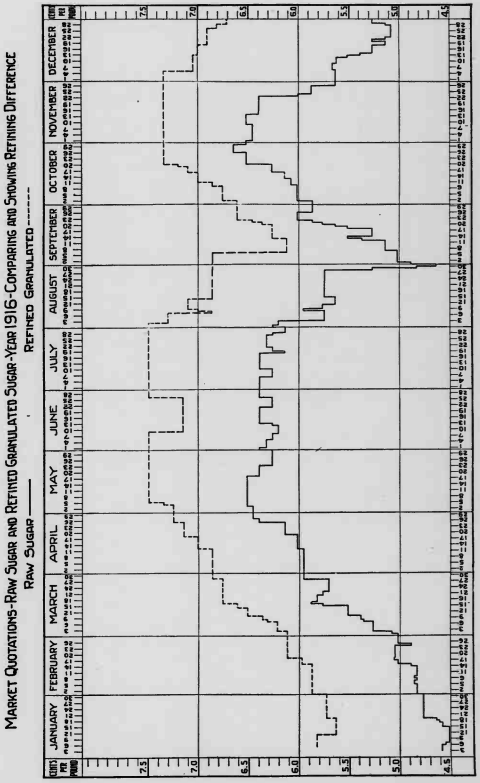
The co-operative proposal should be considered of as much if not more value to America than to our Allies. It would help to take the

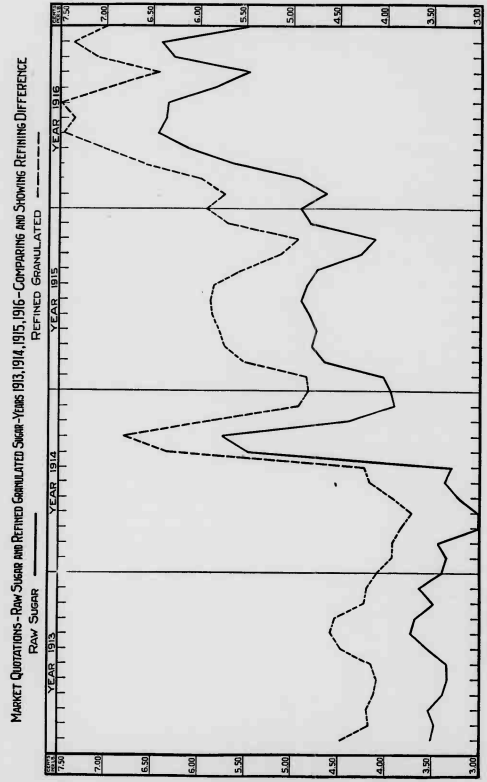
fever out of the situation. It would be a bulwark against sensational reports leading to consumer panics, such as the sugar industry is struggling with to-day in many parts of the Country. There is consumer hoarding of sugar, which is tending unnecessarily to raise prices, and especially to embarrass the manufacturing and preserving industries of the Country. Refiners have had to suspend their export business to meet this frantic and abnormal demand. This scramble has been going on for weeks, in spite of the assurance that there are ample supplies for normal consumption and for the saving of the fruit crop.

This Company has delivered to its domestic trade as much sugar as in the same period of last year, and that, too, in spite of strikes and car shortage. This Company's confidence in its ability to meet the needs of its trade is such that for more than two months it has been selling its output at prices far below the prevailing market. In this effort to allay the needless alarm of consumers, it has had the full co-operation of the wholesale and retail trade.

Last year the United States exported over 700,000 tons of refined sugar. This Country has refining capacity to refine a million tons of sugar for our Allies without skimping normal domestic requirements. Housewives can do their bit by paying no attention to sensational stories and by buying sugar in usual quantities and not in advance of household needs.

This statement has been printed extensively in the newspapers throughout the United States, both in the large cities and the small towns.





LETTERS FROM REFINERS TO SENATE FINANCE COMMITTEE RELATING TO DRAWBACK

and

ARTICLES FROM AMERICAN SUGAR BULLETIN STATING EFFECT OF COMMITTEE'S ACTION

LETTERS FROM REFINERS RELATING TO DRAWBACK

JUNE 6, 1917

HON. F. M. SIMMONS
HON. WILLIAM J. STONE
HON. JOHN SHARP WILLIAMS
HON. HOKE SMITH
HON. CHARLES S. THOMAS
HON. OLLIE M. JAMES
HON. WILLIAM HUGHES
HON. THOMAS P. GORE
HON. ANDRIEUS A. JONES
HON. PETER G. GERRY
HON. BOIES PENROSE
HON. HENRY CABOT LODGE
HON. PORTER J. MCCUMBER
HON. REED SMOOT
HON. JACOB H. GALLINGER
HON. ROBERT M. LAFOLLETTE

HON. CHARLES E. TOWNSEND
Senate Finance Committee
United States Senate
Washington D. C.

DEAR SIRS:

We wish to state the reasons why, in our judgment, the drawback privilege accorded under all Tariff Acts should not now be stricken from the proposed War Revenue Bill so far as it relates to sugar.

1. The Bill is a revenue measure and no valid reason is perceived why the present tariff system should be changed unless such change adds to the revenue of the Government. The sugar industry has largely harmonized its views to an acceptance of such War tax as may be necessary for the Government, and which can be levied without changing the present relationships of the various interests comprising the industry.

2. With about one-third of the world's production of sugar before the War within the present battle line, our Allies have turned to this country and other sources for their supply. So large is the excess refining capacity of the United States that we have been able to meet

this demand, exporting in 1914 about 175,000 tons of refined sugar; in 1915 about 400,000 tons, and in 1916 over 700,000 tons, with capacity to export, if need be, a million tons without curtailing domestic requirements.

3. All of this business has been done on the basis of the in bond price of raw sugar, the duty being paid by the refiner and returned by the Government, less one per cent under the drawback law—the duty not being taken into consideration in making the price. Otherwise, the actual sale price of export and domestic being on an approximate parity.

4. To cancel the drawback will have the effect of adding the amount of the duty to the price, which will either largely prevent the export of refined, or add arbitrarily the amount of the duty to the price of such as our Allies may be compelled to buy here.

5. The loss of this export business would be serious, as it has grown, in 1916, to about one-fifth of the total production of the United States refiners.

6. This increased volume for refiners has been one of the elements contributing to the lower price of sugar in the United States than in foreign countries, either under private competition or under the control of powerful Governmental Commissions, served by their nationalized shipping—a noteworthy tribute to the entire United States sugar refining industry.

7. This large export business, amounting to approximately eighty millions of dollars, would immediately be transferred to Canada where there is a large excess refining capacity, or cause Cuba and other sugar producing countries to make washed sugars—resulting in a direct loss of business to this country and a tendency to increase refining costs on the remaining domestic business, without a corresponding advantage to the United States Treasury or to any party.

8. The sugar industry in the United States has been under war conditions from the outbreak of the War, and even a casual examination will show that, aside from maintaining lower prices here than in any foreign country—in fact at less than one-half the prices generally prevailing in foreign countries,—the American refiners have also pursued a policy calculated to allay the unnecessary alarm of the trade and of consumers under unparalleled conditions and in the face of many sensational and alarming reports.

9. With the increase in production of domestic supplies, both of cane and especially of beet sugar, and with a large excess refining capacity, it is certainly a good business stroke for the United States to continue to foster this desirable export business by continuing the well established drawback practice of enabling the domestic industry to meet foreign markets and to build up a good will, which should outlast the War and so become a permanent business asset to the country.

10. To single out sugar and leave the thousand and one other articles receiving drawback the opportunity to compete in foreign markets is harsh and inequitable.

11. Sugar enters into the manufacture of canned goods, condensed milk, confectioneries, chocolate, prepared cocoanut and a very long line of articles of food to which it is added, either as a preservative or as a sweetening. Accordingly, the elimination of the drawback would cause far-reaching business disturbance to other industries. For many of them have contracted for sales abroad under the same conditions as have the refiners, depending upon the continuance of the century old practice of giving American manufacturers free raw material for competition in the world's markets.

12. The repeal of the drawback privilege would, therefore, not only be at the expense of the permanent foreign business of the refiners, but would impose a serious loss of some millions of dollars upon business already taken and now on their books for delivery.

13. Finally, we urge, not only should the drawback remain on sugar as on all other articles as now established, but that the refiners,

in view of this great foreign business opportunity, should be allowed to refine in bond as is now done by other manufacturers. The Government can establish such safeguards as are usual and so give encouragement to the development of a business which is calculated greatly to aid our Allies and eventually to be of profit to the American consumers by adding to the volume of the domestic industry.

Very respectfully yours

THE AMERICAN SUGAR REFINING COMPANY
Earl D. Babst, President

COLONIAL SUGARS CO.
H. W. Wilmot, Vice-President

WARNER SUGAR REFINING CO.
C. M. Warner, President

ARBUCKLE BROS.

THE NATIONAL SUGAR REFINING CO. OF NEW JERSEY
Jas. H. Post, President

THE W. J. McCAHAN SUGAR REFINING CO.
Thomas C. McCahan, Treasurer

NEW YORK, August 21, 1917

TO THE CONGRESS OF THE UNITED STATES:

Representing practically the entire cane sugar refining industry of the United States, we urge earnestly that the industry be not placed at a disadvantage in the World's market, either by the repeal of the drawback upon sugar or by an excise tax on exports.

1.—More than a century of United States precedents are unanimously against both propositions.

2.—No foreign country of commercial standing attempts to lay a tax on exports.

3.—Sugar, therefore, now meets in the World's market on a parity, but the Senate Bill arbitrarily raises the export price over 1½¢ a pound.

4.—The United States has one-third excess refining capacity, and so if not legislated out of world parity it could refine for export 1,000,000 tons annually without skimping domestic requirements.

5.—Sugar refining is done on one of the smallest margins of profit in the manufacturing world. The present opportunity for export business by increasing volume has been an important factor in giving domestic consumers the lowest sugar prices in the world.

6.—In 1916 the United States exported 700,000 tons of refined sugar—as large as the entire domestic beet crop and more than twice the Louisiana crop. To repeal the drawback and levy ½¢ excise—or over 1½¢ pound differential—is to destroy this business without yielding revenue. In fact by destroying profits from the export it will also destroy revenue.

7.—Foreign countries need never buy refined from the United States, so long as there is excess refining capacity elsewhere, or washed sugars are acceptable for war-time consumption. Why should the Allies pay a tax of over 1½¢ a pound for the privilege of passing

Cuban and foreign sugars through United States refineries? In 1916 alone, such a preference would have cost the Allies $23,500,000.

8.—Even the threat of a 1½¢ differential has already stopped new business to us and diverted large business to Canada, where there is 600,000 tons excess yearly refining capacity, and also has increased sharply exports from Cuba to Europe.

9.—The threatened action has already so disturbed the World's sugar market as to have increased the price of Cuban raws almost the equivalent of the 1½¢ differential, and so largely contributed to a corresponding rise in the price of refined sugar for domestic consumers In other words the increase now amounts to over $7,000,000 monthly to domestic consumers.

10.—More serious still, the threatened action of cutting off the United States refined from export has caused such heavy and persistent buying of raws in Cuba by foreign countries as to create temporarily a new and troublesome situation for the United States. The action of the Senate Committee was given an unexpected interpretation in foreign countries resulting in a rush of buying in Cuba. European buyers having notice of an increase in the price of refined sugar for export from the United States of one cent duty and one-half cent excise have purchased immense quantities of raw sugar in Cuba for direct consumption or refining outside of this country. This increased purchase of Cuban raws is exactly equal to the decrease in refined sugar to be exported from this country in 1917 as against actual exports in 1916. No better illustration could be given of the delicacy of the World situation. It must be handled with corresponding delicacy or United States consumers will pay dearly.

A diagram is submitted showing the increases in the prices of both raw and refined since June 6, 1917, at which time many of the undersigned sent to the Senate Finance Committee a letter protesting against the repeal of the drawback.

Conclusion.—We deprecate as injurious to the industry, any step which tends to increase prices to domestic consumers. We urge that the United States refiners be put to no disadvantage in the World's

market for they have safeguarded with marked success the sugar supply of the United States during this critical period. We have sold for export on the in-bond (*i. e.* less duty) price and hence it is apparent, as it is also well and widely known in the trade, that the drawback has not been and is incapable of being manipulated into a bounty or profit to the refiner. We contend that we are entitled to the same opportunity to reach the World's market with our product as is accorded to the 4,000 or more other manufacturers using imported raw material. Finally we renew our suggestion that we be permitted to refine in bond in a manner already accorded by law to other manufacturers, smelters and refiners.

Respectfully submitted

AMERICAN SUGAR REFINING COMPANY
Earl D. Babst, President
Refineries at Brooklyn, Jersey City, Philadelphia, Boston, New Orleans

REVERE SUGAR REFINERY
Dwight P. Thomas, Vice-President
Refinery at Boston

WM. HENDERSON
Refinery at New Orleans

NATIONAL SUGAR REFINING COMPANY
James H. Post, President
Refineries at New York City and Yonkers

THE W. J. McCAHAN SUGAR REFINING COMPANY
W. J. McCahan, Jr., Assistant Treas.
Refinery at Philadelphia

ARBUCKLE BROTHERS
Refinery at Brooklyn

CALIFORNIA & HAWAIIAN SUGAR REFINING COMPANY
George M. Rolph, Manager
Refinery at Crockett, California

FEDERAL SUGAR REFINING COMPANY
Pierre J. Smith, Treasurer
Refinery at Yonkers

COLONIAL SUGARS COMPANY
John Farr, President
Refinery at Gramercy, La.

WARNER SUGAR REFINING COMPANY
C. M. Warner, President
Refinery at Edgewater, N. J.

PENNSYLVANIA SUGAR COMPANY
G. H. Earle, Jr., President
Refinery at Philadelphia

SAVANNAH SUGAR REFINING COMPANY
B. A. Oxnard, President
Refinery at Savannah

ARTICLES FROM THE AMERICAN SUGAR BULLETIN

Published by The American Sugar Refining Company

THE WORLD'S SUGAR MARKET AS AFFECTED BY CONGRESSIONAL PROPOSAL. WHY FOREIGN COUNTRIES PURCHASED THE SUPPLIES ORDINARILY GOING TO NEW ENGLAND AND ATLANTIC COAST STATES

(Reprinted from issues of June 29th, July 13th and 27th, September 7th, 21st, 28th and October 12th, 1917.)

From THE BULLETIN of June 29th

"The withdrawal of the drawback and the imposition of an excise tax of a half cent a pound would create a differential against the United States in the World's markets of over a cent and a half a pound. Such a differential of course may temporarily advance the World's market. On the other hand, it has been argued in Washington by Senators that the World's sugar market will be lowered. That the action taken is going to affect the World's market is already apparent. It should be set down that the action taken is against the advice of the entire sugar industry of the United States, except certain cane producers. Concentrated buying of Cubas would still leave Java as a source of supply. It is a long way to Java, so far in fact that England has not found it attractive of late. It would be interesting if they shifted that task temporarily to the United States as a courteous reply to the Senate Committee."

From THE BULLETIN of July 13th

"The placing of 1½ cents a pound differential against the United States refined sugar in the World's markets, which is the net of the proposed 'repeal of the drawback and the half-cent a pound excise,' is becoming more apparent. Evidently the World's market considers that its avenues have been narrowed by the elimination of the million tons of excess capacity of American refiners for export. European purchasing steadily continues in Cuba at five cents f. o. b. As the result of this purchasing the raw market since the proposed legislation

at Washington has advanced the price of Cuban raw sugars for the United States a half cent a pound."

From THE BULLETIN of July 27th

"Always having in mind the World's tonnage situation at the time of this proposed change of our fiscal policy on sugar, it is interesting to follow the further developments of its progressive effect on the World's market since July 13th. The Allies evidently have become increasingly disturbed. They have continued their purchasing in Cuba to such an extent that the price of raw sugar for America has advanced almost a cent a pound since the first action of the Senate Committee.

"Orders for refined sugar for European account are being placed in Canada, where there is large excess refining capacity. Canadian refiners are becoming aggressive competitors in the New York market for raw sugar to fill these export orders. The sugar going from Cuba to Europe for direct wartime consumption, and the refined sugar going from Canada to Europe, contribute neither revenue in the form of customs nor excise to the United States Treasury. Both movements are at the expense of the United States industry, decreasing its volume and eventually increasing its refining cost on the domestic remainder.

"The country, and especially the sugar industry and trade, realize with what brilliant success the United States refiners have safeguarded the domestic supply during the European war. Whether they can overcome the handicaps already brought about by the threatened action of the Senate Finance Committee is problematical.

"It should be recorded that the United States refiners are and have been under notice of Government control. The position of the United States refiners, therefore, so far as the risk of inventory is concerned, has been weakened by such notice and made uncertain. Under these circumstances the refiners have been largely relieved of the responsibility of safeguarding the United States supply.

"Of course there is plenty of sugar in Java and naturally it will remain there as a reserve supply as long as tonnage is not provided

to move it. Equally naturally the Royal Commission, upon being threatened with exclusion from the American market, has filled its needs in the much nearer and more convenient markets of Cuba and Canada.

"These are facts well known to the entire sugar industry, which, with a single exception, was united in its advice against any change in the status of the American industry in the World's market during this critical period, especially as the proposed change gave no promise of producing revenue.

"It is well to make a record of the actual effect of this legislative program concurrently with its progress. Whatever may be the result the United States refining industry cannot be charged with responsibility."

From letter of all Sugar Refiners to Congress dated August 21, 1917, and printed in BULLETIN of September 7th

"In 1916 the United States exported 700,000 tons of refined sugar—as large as the entire domestic beet crop and more than twice the Louisiana crop. To repeal the drawback and levy ½c. excise—or over 1½c. pound differential—is to destroy this business without yielding revenue. In fact, by destroying profits from the export it will also destroy revenue.

"Foreign countries need never buy refined from the United States, so long as there is excess refining capacity elsewhere, or washed sugars are acceptable for war-time consumption. Why should the Allies pay a tax of over 1½c. a pound for the privilege of passing Cuban and foreign sugars through United States refineries? In 1916 alone, such a preference would have cost the Allies $23,500,000.

"The threatened action has already so disturbed the World's sugar markets as to have increased the price of Cuban raws almost the equivalent of the 1½c. differential, and so largely contributed to a corresponding rise in the price of refined sugar for domestic consumers. In other words, the increase now amounts to over $7,000,000 monthly to domestic consumers.

"More serious still, the threatened action of cutting off the United States refined from export has caused such heavy and persistent buying of raws in Cuba by foreign countries as to create temporarily a new and troublesome situation for the United States. The action of the Senate Committee was given an unexpected interpretation in foreign countries resulting in a rush of buying in Cuba. European buyers having notice of an increase in the price of refined sugar for export from the United States of one cent duty and one-half cent excise have purchased immense quantities of raw sugar in Cuba for direct consumption or refining outside of this country. This increased purchase of Cuban raws is exactly equal to the decrease in refined sugar to be exported from this country in 1917 as against actual exports in 1916. No better illustration could be given of the delicacy of the world situation. It must be handled with corresponding delicacy or United States consumers will pay dearly.

"A diagram is submitted showing the increases in the prices of both raw and refined since June 6, 1917, at which time many of the undersigned sent to the Senate Finance Committee a letter protesting against the repeal of the drawback."

From statement by Earl D. Babst, in BULLETIN, September 28, 1917

"Notwithstanding the I. W. W. attempt at disorganization of the industry in February and the housewives' unnecessary scramble in the spring, the industry held its course firmly until the month of June of this year. At that time a proposal was made in the United States Senate, and received the support of a majority of the Finance Committee, to repeal on sugar alone the drawback of duty privilege, as well as put an excise tax of ½c. per pound on sugar export business, as well as on sugar for domestic consumption.

"This proposal was not taken seriously at first, either here or abroad, as it was contrary to all the laws and practices of commercial countries. However, on failure of a majority of the Committee to heed the urgent advices of the entire sugar industry, foreign countries. having notice of an increase in the price of refined sugar for export

from the United States of over 1½c. a pound, started a rush of buying in Cuba for direct consumption in foreign countries and for refining outside of this country. Meanwhile, domestic refiners had been put under notice of governmental food control. The competition for Cuban raws became so active that Cuban prices arose the entire 1½c. differential represented by the Senate Bill. Three months later, in September, the Senate by overwhelming vote rejected its Committee's plan, but the damage had already been done.

"During the period of international and domestic readjustment of the next two or three months, there will be some inconvenience and annoyance to consumers and manufacturers, but it is necessary as an incident to the larger purpose of feeding the Allies, providing stores for our Army and Navy, and for winning the war."

From report of Food Administration in BULLETIN of September 30, 1917

"Inasmuch as the price of Cuban sugar on the New York market really controls the entire domestic production, it was not the intention of the Administration to attempt in any way to regulate domestic producers.

"A situation arose in June and July which made such action imperative. Bills were introduced in Congress providing for the elimination of the drawback on export sugar, and the application of a consumption tax. Foreign buyers, who, up to that time had been making their purchases through American refineries, decided that as the bills were introduced as war measures, and would therefore be enacted into law promptly, that it would be to their advantage to buy Cuban sugars direct at any price from the then Cuban market, not exceeding an advance of 1½c. which was the extent to which sugar would have been affected if the bills had passed.

"This started a violent speculation in Cuban sugars with the result that the price advanced from 5.77 in the last week in June to 7.77 the first week in August. While there was very little sugar left in Cuba it meant that if such a condition was permitted to continue the cost to the American public would be something in excess of $30,000,000 between then and the beginning of the new Cuban crop in December."

STATEMENTS IN REGARD TO PLANS OF UNITED STATES FOOD ADMINISTRATION

STATEMENT TO THE PRESS BY MR. BABST

September 28, 1917

Last April the cables told us of a plan proposed by Herbert C. Hoover, then in London, which he described as "a plan by which the Allies can consolidate under one head the whole purchasing of foods staples from our market, and not only will competitive bidding be abolished, but by co-operative buying on our side we can arrange a proper balance between the rights of producers and consumers." This plan was favorably received by the sugar refining industry, as it was similar in purpose to one presented by it months before to President Wilson. The European war had brought the Allies into the Cuban market, resulting in severe domestic and international competition with no increased supplies. Naturally prices to the American public rose rapidly under this forced draft.

Domestic sugar refiners, since the outbreak of the European War, not only have safeguarded the United States supply, but have maintained the lowest sugar prices in the world. This brilliant record is due largely to the fact that sugar refining is in the hands of large business units with an excess refining capacity sufficient to supply all domestic needs and, so far, the demands also of foreign countries.

Notwithstanding the I. W. W. attempt at disorganization of the industry in February and the housewives' unnecessary scramble in the spring, the industry held its course firmly until the month of June of this year. At that time a proposal was made in the United States Senate, and received the support of a majority of the Finance Committee, to repeal on sugar alone the drawback of duty privilege, as well as put an excise tax of ½ cent per pound on sugar export business, as well as on sugar for domestic consumption.

This proposal was not taken seriously at first, either here or abroad, as it was contrary to all the laws and practices of commercial countries. However, on failure of a majority of the Committee to heed the urgent advices of the entire sugar industry, foreign countries,

having notice of an increase in the price of refined sugar for export from the United States of over 1½ cents a pound, started a rush of buying in Cuba for direct consumption in foreign countries and for refining outside of this country. Meanwhile, domestic refiners had been put under notice of Governmental food control. The competition for Cuban raws became so active that Cuban prices arose the entire 1½ cents differential represented by the Senate Bill. Three months later, in September, the Senate by overwhelming vote rejected its Committee's plan, but the damage had already been done. Prices for American refined sugar naturally followed the price of raw Cuban sugar, despite the efforts of this Company and other refiners to stabilize conditions, even to extent of maintaining domestic prices for refined sugar far below the market.

This dislocation of the world's market, costing millions of dollars to domestic and foreign consumers, caused the Food Administration to urge upon the sugar industry the adoption by voluntary agreement of the original Hoover plan, for it required international co-operation to restore former conditions. The sugar refiners and beet producers have unanimously agreed to the Hoover plan as a patriotic act in the interest of the American people and as an aid to our Allies. This is the significance of the announcement by the Food Administration of the appointment of an International Sugar Committee, to which the Allies send two representatives for England, France, Italy and Canada, and to which the United States contributes two members and the Food Administration the fifth. The headquarters of the International Sugar Committee will be in New York, now the sugar center of the world. Upon the success of its activities under the direction of the Food Administration and of the Allied Governments, acting for practically half the civilized world, will depend the readjustment of an industry involving a yearly business of over a billion dollars. It is full of eventual promise to consumers. At least it will assure the American consumer that sugar, although comparatively cheap in view of war conditions, will not, by reason either of competitive or of speculative activity, be increased in wholesale price, but rather will follow actual costs and a stabilized profit large enough to maintain and to stimulate production.

During the period of international and domestic readjustment of the next two or three months, there will be some inconvenience and annoyance to consumers and manufacturers, but it is necessary as an incident to the larger purpose of feeding the Allies, providing stores for our Army and Navy, and for winning the war.

STATEMENT OF THE UNITED STATES FOOD ADMINISTRATION

The Sugar Situation

September 30, 1917

Sugar represents an entirely different problem for the Food Administration from almost any other commodity it has to handle, in view of the fact that about 50% of the sugar we consume is imported from foreign countries.

It might be interesting to know that the entire domestic production from Louisiana, Hawaii, Porto Rico and domestic beet follow the general trend of prices as established in the New York market. The New York price is based generally on the price of Cuban centrifugal, to which is added the duty of one cent and the refiner's differential. The Cuban sugar, therefore, becomes the dominating factor and the domestic products follow and meet this competition. The domestic producers do not raise sufficient supplies for the United States, causing the Cuban sugar to become the predominating feature and actually control the price in the United States.

It is the intention of the Food Administration to enter into negotiations with the Cuban Government and the Cuban Planters to see if a voluntary agreement cannot be reached fixing a price for Cuban sugars in New York that will be satisfactory to the Cuban producers and at the same time insure a fair price for the consuming public in the United States. The Administration has every reason to believe that such a voluntary agreement can be effected.

In order to handle the situation and arrange for the distribution of the available sugar in the world, an International Sugar Committee of five members has been formed. Two of the members of this Committee were appointed by the Allied Governments, and the men selected

for this important work are Sir Joseph White-Todd and J. Ramsay Drake, both of whom are familiar with the sugar situation. The two American members of the Committee appointed by the Food Administration are Earl D. Babst, President of the American Sugar Refining Company, and William A. Jamison of Arbuckle Brothers, neither of whom is interested in any way in the production of Cuban sugar. Mr. George M. Rolph, head of the Sugar Division of the Food Administration, will be the fifth member of the Committee.

It will be the duty of this Committee to arrange for the purchase and distribution of all sugar, whether for the United States or the Allied countries.

There will also be a committee of American refiners consisting of Mr. C. A. Spreckles, New York; Mr. James H. Post, New York; Mr. C. M. Warner, New York; Mr. George H. Earle, Jr., Philadelphia; Mr. Dwight P. Thomas, Boston, which has been formed to co-operate with the International Committee with the idea of assisting in the distribution of that part of the imported sugar that comes to the United States refineries.

The three American members of the International Committee will serve as a sub-committee to handle and decide purely domestic questions with which the allied members are not concerned.

Conferences held in Washington and New York between representatives of the entire Sugar Refining Industry of this country and the Food Administration have resulted in a voluntary agreement for the duration of the war. Refiners will undertake not only to obtain their supplies of raw sugar under the direction of the International Sugar Committee, but they also have agreed to work on a stipulated margin between the cost of raw sugar and the selling price of refined, thus limiting profits, and going a long way towards stabilizing prices and eliminating speculation.

This co-operative buying between the refiners and those purchasing raw supplies for England, France, Italy and Canada, with the resultant elimination of competitive buying, is expected to save consumers many millions of dollars and to prevent the rapid fluctuations in prices that we have seen since the outbreak of the European war

in 1914. The natural channels of trade were then suddenly disrupted, and a large part of the world's available supply of sugar was cut off, due to the fact that the Central Powers were no longer exporters. This was followed by a reduced production of sugar in France, Belgium and Russia, leaving the world with a decreased sugar supply, but without any corresponding decrease in consumption. Sugar producers were then in a position to exact high prices, but now, through governing regulation, it is intended that consumers' interests shall be protected, in an effort to combat the old laws, based only on supply and demand.

As a step in this process, refiners have agreed to refine sugar on a net margin between the cost of their raw material and the selling price of their refined product of approximately 1.30 cents per pound, after trade discounts have been deducted. The basis for this margin had its origin in the five-year pre-war period. The figure was arrived at by taking the average margin for five years previous to and including 1914, and adding the increased cost of operation which refiners must now face. For example, in refining sugar, there is a loss in weight of about seven pounds on every hundred, and as raw sugar is expected to cost in round figures about 2 cents per pound more than in the five-year pre-war period, this alone amounts to an increased cost of 14 cents per hundred pounds. Bags, jute and cotton have increased in price equivalent to about 15 cents per hundred, coal 5 cents. labor 8 cents, bone black 2 cents. These increases, added to the old pre-war basis, bring the figure up to 1.281 cents, so that in selling on a margin of 1.30 cents net, only 0.019 cents per pound has been left to cover the increased cost of lighterage and cartage, added interest on the larger amount of money invested in the business, increased insurance, due to explosion risks and the higher valuation of sugar, as well as the higher cost of all materials used in the refineries. Of course, this small fraction will not cover these increased costs, so it will be seen that notwithstanding the fact that the differential is higher than formerly, the actual net margin of profit left to refiners is about the same as the pre-war basis. Their advantage must come mainly through ability to run their plants at full capacity for

nearly the entire year, due to the large increase in export business which is now obtainable.

The Food Administration is naturally much gratified in securing this co-operation, as through it an important step has been taken to eliminate speculation, and place values on a stable basis, the effect of which will be more apparent during the latter part of this year and in 1918, when new sugar crops come on the market.

Within a short time conferences between representatives of the Cuban Government, Cuban Planters and the Food Administration will be held and the price to be paid for Cuban sugar for the next crop, which begins in December, will be considered.

The cost of producing sugar in Cuba has advanced greatly within the past three years, due to increasing cost of labor, increasing cost of all kinds of supplies, increased freight rates, cost of bags and increased taxes. These conditions will naturally be taken into consideration by the Administration in agreeing on a price with the Cuban planters, as it is essential that fair profits be allowed to all producers in order that production be not discouraged. Increasing the production of sugar today is just as important, if not more so, than reducing the price to the consumer, as our Allies fighting in the trenches of Europe must be kept supplied with an adequate amount of this most important food product.

The refiner sells his product to the wholesale grocery jobber through a broker and in turn the jobber sells to the retail trade. The margin of profit for the jobber and the broker, like that of the refiner, will be limited by the Food Administration to an amount that will represent a reasonable charge for the services performed. By these regulations and agreements the Food Administration hopes to eliminate speculation and to deliver sugar into the hands of the retail trade at a fair cost based upon the present cost of production, manufacturing and distribution. There the Food Administration's control stops, and it will be necessary for the consuming public to see that they obtain their sugar at a proper price from the retail trade. The Administration will assist in every way through publicity in keeping the country posted as to what the retailer should charge in the various

sections of the United States. It will be up to the consumer to do the balance.

Inasmuch as the price of Cuban sugar on the New York market really controls the entire domestic production, it was not the intention of the Administration to attempt in any way to regulate domestic producers.

A situation arose in June and July which made such action imperative. Bills were introduced in Congress providing for the elimination of the drawback on export sugar, and the application of a consumption tax. Foreign buyers, who, up to that time had been making their purchases through American refineries, decided that as the bills were introduced as war measures, and would therefore be enacted into law promptly, that it would be to their advantage to buy Cuban sugars direct at any price from the then Cuban market, not exceeding an advance of 1½c. which was the extent to which sugar would have been effected if the bills had passed.

This started a violent speculation in Cuban sugars with the result that the price advanced from 5.77 in the last week in June to 7.77 the first week in August. While there was very little sugar left in Cuba it meant that if such a condition was permitted to continue the cost to the American public would be something in excess of $30,000,000 between then and the beginning of the new Cuban crop in December.

Refined sugar naturally followed raw and quotations advanced to as high as $9.15 per 100 pounds. To protect the public against these unnatural, unnecessary and speculative prices, the Food Administration immediately changed its policy and made a direct appeal to the domestic beet sugar producers to come to the aid of the country with their product. In August representatives of 85 per cent. of the domestic beet sugar industry met with the Food Administration in Washington and pledged the interests which they represented to maintain a price for their product of not to exceed 7.25 cane basis Seaboard refining points, from the beginning of the crop, starting in October until same had been distributed. Announcement of this fact had the immediate effect of stopping the speculation in Cuban sugars and of reducing the price generally throughout the country to more

normal levels. The main thing that it accomplished, however, was that it stopped further speculation and prevented the price to the American consumer reaching much higher levels. If the speculation in Cuban sugar had not been checked it is not unreasonable to believe that sugar would have been selling wholesale today at prices ranging anywhere from 10c. to 12c. a pound. This alone demonstrates conclusively the value of a domestic grown product to the United States. Too much emphasis cannot be placed on this fact, and the attention of the American public should be directed to this most important industry.

Aside from Louisiana cane representing about one-third of the beet production, and combined with the beet representing a total production of a little over 1,000,000 tons, there is no sugar that would be available for consumption in the United States if our coasts were blockaded by foreign powers, such as Germany's now are. This 1,000,000 tons of domestic production represents less than 25 per cent. of the consumption of the country. It is evident, therefore, that every encouragement should be given to this, one of our most important domestic industries.

Immediately after the conferences with the beet producers in August a conference was arranged at which representatives of 100 per cent. of the domestic industry were invited to attend, in order that action on part of the industry might be made unanimous. Conferences between the Food Administration and all the beet producers of the United States have been held in Washington during the past few days, and it is gratifying to the Government and the Food Administration to say that 100 per cent. of the beet producers of this country, representing many different states in the Union, have voluntarily entered into an agreement with the Food Administration whereby and under which the sale and distribution of the entire beet sugar produced in the United States is placed in the hands of the Food Administration, to be sold at a price not exceeding 7.25 cane basis Seaboard Refining points.

The Food Administration has appointed the following committee to handle the details of the distribution of the beet sugar to be known as the Food Administration Sugar Distributing Committee: H. A. Douglass, Detroit, Mich.; E. C. Howe, Denver, Colo.; W. H. Hannam, San Francisco, Cal.; S. H. Love, Salt Lake City, Utah; W. S. Petriken, Denver, Colo.; S. W. Sinsheimer, Huntington Beach, Cal.; W. P. Turner, Detroit, Mich.

The Western Sugar Refining Company and the California-Hawaiian Sugar Refining Company, both located at San Francisco, California, have notified the Food Administrator that while it will result in tremendous losses to their interests, that they will join with the beet producers of the country and make the price for cane sugar in the western half of the United States not to exceed 7.25 cane basis Seaboard Refining points. This links up two of the domestic sugar industries (domestic beets and Hawaiian cane) in meeting the views of the Food Administration, and credit is due the western refiners in complying with the views of the Administration. The sugar that these refineries have been receiving, and which they now have on hand, has been purchased on the basis of the price of Cuban sugars in the New York market, and in naming the 7.25 price they are virtually selling their refined product on the basis of what the raws cost them.

As the Colorado-Utah and Michigan beet crops will not be in full swing until the middle of October and as the time of transportation from the producing centers to the Atlantic Seaboard is not less than twenty days, the situation on the eastern seaboard presents a different problem from the West. It is therefore probable that in order to save great loss the eastern refiners will be compelled to maintain present prices for cane sugar until there is sufficient beet available to control the eastern market.

A statement is now being prepared by the Administration for the benefit of the sugar trade, giving full information in regard to how the plans of the Administration are to be worked out.

As the domestic beet and Hawaiian cane productions are not sufficient to supply the entire United States with sugar, there is bound to be some confusion in certain eastern sections between October 1st and the arrival of the new Cuban and Louisiana crops. Any differences between the prices of cane and beet sugars in the eastern markets will be eliminated on receipt of these crops.

STATEMENT OF THE UNITED STATES FOOD ADMINISTRATION

October 16, 1917

There will be a temporary shortage in the supply of sugar to the area north of Savannah and east of Pittsburgh during the latter part of October and the month of November, pending the arrival in the market of new sugar. The beet sugar factories in the Western States are rapidly coming into action, and, together with the Hawaiian production, will be able, in a short time, to take care of the sugar supply in the area west of the territory above referred to.

The price of beet sugar and Hawaiian sugar has been fixed by contract at 7.25 cents, Atlantic and Pacific seaboard basis, from the factories. Allowing for freight differentials and handling charges, the retail prices should not exceed 8 cents, San Francisco; 8½ cents, Denver; 8¼ cents, Chicago; 8 1/16 cents, St. Louis; 8 cents, New Orleans; and 8 1/16 cents, Pittsburgh.

As the production of beet and Hawaiian sugar increases, the areas supplied from this source will gradually extend eastward, and beet sugar should reach the Atlantic seaboard by the end of November. The rapidity with which this sugar invasion from the West can take place will be largely controlled by the economies shown in the consumption of sugar by the people in the Western area, and the Food Administration makes a special appeal to them that they should rigorously reduce the consumption of sugar, more especially of candy and sweet drinks, in order that the Northeastern States may be supplied at the earliest possible moment.

The shortage of sugar in the Northeastern States is due to two causes: First, the failure of the American public outside many loyal homes to adequately reduce their consumption of sugar on the constant and insistent appeals that have been made by the Food Administration since June, and, secondly, to the unusual exports made to France, in order that we might maintain to them their ration which has now been reduced to one pound per month per person. The consumption of sugar in the United States is, even now, over seven

pounds per month per person, and a saving of one-third of the candy and sweet-drink consumption would have saved the situation now confronting the Eastern States.

By virtue of the agreements made with the cane refiners and the assistance received from certain Cuban producers, the price of cane sugar from the refiners has not been increased during the past two months despite the possibility of shortage and famine prices.

Practically all of the cane sugar in the hands of the refiners and the producers has now been distributed to the jobbers and retailers at the prices maintaining during the last two months, or upon a basis that should reach the consumer in the neighborhood of nine cents per pound. Therefore, if by virtue of the shortage in the Eastern States, the price of sugar should increase, it is only proof that it has been increased at the hands of the handling trades—not at the hand of either the producer or the refiner. The Food Administration asks the public not to pay more for sugar during the present shortage than it has been paying during the last thirty days. When the supply of beet sugar reaches the Atlantic seaboard, it should be available upon a less basis than the cane prices above mentioned.

Furthermore, the Food Administration requests that all jobbers in the West, as well as in the East, should distribute their sugar with care amongst the retailers in much reduced quantities, and that the retailers, in turn, should refuse to sell but a very limited quantity to any one customer. We also trust that jobbers will refuse to sell sugar to any retailer who advances the price.

A remedial contribution can be made if the American people will at once reduce their consumption of candy and sweet drinks. It seems unnecessary to repeat that the Allies are thrown upon the West Indian market for a large proportion of their sugar which they formerly obtained from other quarters, and that, although they have reduced the consumption of sugar to less than one-fifth of the average consumption in the United States—if they are to obtain even this meagre ration—we must have a reduction in sugar consumption here. Many householders of the country have responded to the appeals for voluntary reduction, and, unless we can secure a wider and immediate

reduction of the sugar consumption in candy, ice cream, and sweet drinks, it will be necessary next year to curtail the supplies to these industries, as has been done all over Europe.

On the 6th instant, the Food Administration sent the following telegram to the Louisiana sugar producers and the matter is still under consideration by them:

"We are as you know making an earnest effort to protect the American consumer from speculation and extortion in sugar at a time when we are parting with our national supplies to protect the ration of the French people until Cuban sugar is available. The French have reduced their ration to only five hundred grammes per month per person or equal to one pound per month or one-half ounce daily. This is to be compared with our American consumption of four ounces daily or seven pounds per month. The beet sugar producers have patriotically agreed that they will not sell their sugar for more than seven dollars twenty-five cents per hundred pounds less two per cent. New York basis. To effect these ends of protection to our millions of people and to help against parting with our margins to supply the French, we need similar action by the Louisiana producers. We have agreed with the refiners that they will limit refining charges to the pre-war average plus the actual increase in expenses due to the war. I wish to appeal to the Louisiana producers that they should also agree to sell their sugar upon the same basis as the beet sugar producers in addition that we endeavor to secure to them the base price at New Orleans the same as that at New York for all sugar refined in New Orleans. This patriotic service will be a signal demonstration to the country not only of the desire of the industry to national service, but the advantage of home industry in sugar.

HERBERT HOOVER"

LETTER FROM FOOD ADMINISTRATION REQUESTING AMERICAN SUGAR REFINING COMPANY TO EXECUTE VOLUNTARY AGREEMENT

OCTOBER 6, 1917

THE AMERICAN SUGAR REFINING COMPANY
117 Wall Street
New York, N. Y.

GENTLEMEN:

We take pleasure in handing you herewith in triplicate the form of voluntary agreement between the Food Administration and your company as provided for under an Act of Congress known as the Food Control Act of August 10th, 1917.

This agreement, as you are aware, has now been the subject of careful study and revision not only by the United States refiners but by the Food Administration since the 12th *ultimo.*, both as to its practicability and legal form. The Attorney-General of the United States has passed on this matter and has given his favorable opinion, which opinion is concurred in by the Legal Department of the Food Administration.

We have endeavored to meet, so far as is practicable, all the suggestions made to us from time to time by the industry itself, as well as to meet the necessities of the country's war-time policy as understood by us and as a part of our mutual public service. After months of consideration of all matters relating thereto and in view of public necessity now confronting us, we are enclosing the agreement in its final form for your execution. We would be pleased to have you execute two copies, returning same to the Food Administration, Washington, D. C. On receipt of same they will be executed by the Food Administrator and one copy returned to you.

Kindly see that the necessary legal formalities are complied with in the execution of the agreement, such as a resolution by the Board

of Directors of your company, if a corporation, and acknowledgment of the signatures of the officers or signers by a Notary Public.

At the same time permit us in behalf of the President of the United States, as well as of the Food Administration, to express to you our appreciation of your patriotic attitude in meeting our suggestions in a patriotic and whole-hearted manner. It shall be our best endeavors to administer the agreement in such a manner as to leave the industry in as undisturbed a condition as possible, to the end that it may come out of the war more efficient, with the power of more effective co-operation and the opportunity of enlarging its markets to its future advantage.

Very respectfully yours

U. S. Food Administration
By Geo. M. Rolph

OCTOBER ADVERTISEMENTS

Published in 169 Newspapers in 73 Cities in the New England and Atlantic Coast States

Use Sugar Sparingly—Do Not Waste It

Everyone—manufacturers and householders—should use sugar sparingly for the present.

The supply is limited and will be until the new crop of cane can be harvested and shipped from Cuba and the Tropics. The supply will then be ample.

In the meantime, the people of the New England and Atlantic Coast States should use sugar sparingly.

Grocers should limit their sales to any one family. No one should hoard or waste sugar. Do not pay an increased retail price.

American Sugar Refining Company

"Sweeten it with Domino"

Granulated, Tablet, Powdered, Confectioners, Brown

OCTOBER ADVERTISEMENTS

Published in 169 Newspapers in 72 Cities in the New England and Atlantic Coast States

Facts About the Sugar Situation

Our Government has asked you to use sugar sparingly. We believe that the people of this country will be glad to do their part to conserve the sugar supply when they know the facts.

These facts are as follows:

More than two-thirds of the source of Europe's sugar supply is within the present battle lines. This has resulted in greatly reducing the production of sugar in Europe.

England and France and other countries have been forced to go for sugar to Cuba.

Ordinarily, nearly all of the Cuban raw sugar comes to the United States and is refined here, chiefly for home use. This is not the case now.

In view of the exceptional world demand for sugar there is no surplus, and barely enough to tide us over until the new crop comes in. The people of the New England and Atlantic Coast States should use sugar sparingly. No one should hoard or waste it.

This Company has no surplus sugar to sell. It is working with the Government to conserve the supply, and to take care of the Allies so far as possible.

Do not pay an increased retail price.

American Sugar Refining Company

"Sweeten it with Domino"

Granulated, Tablet, Powdered, Confectioners, Brown

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